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ABSTRACT

This is a report of a hearing on March 31, 1981, before the Subcommittee on Education, Training, and Employment of the Committee on Veterans' Affairs, House of Representatives, to review veterans' education, training, and employment programs currently administered by the Veterans' Administration. Testimony on the effectiveness of the three major veterans' programs covered under chapters 31, 32, and 34 of Title 38, United States Code, is given by witnesses from the Veterans' Administration and the veterans' service organizations. Under review are current and proposed GI bill participation rates, effectiveness of the current post-Vietnam education program, and the mandated improvements to the vocational rehabilitation program called for by Public Law 96-466. Witnesses also give views on proposed legislation, H.R. 2391, to extend education, training, and employment opportunities to certain disadvantaged Vietnam-era veterans through the readjustment counseling program--Operation Outreach. There are five statements and six resolutions submitted by the Veterans of Foreign Wars of the United States and the American Legion. (YLB)

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REHABILITATION, EDUCATION, TRAINING AND EMPLOYMENT PROGRAMS ADMINISTERED BY THE VETERANS' ADMINISTRATION

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HEARING

BEFORE THE

SUBCOMMITTEE ON EDUCATION, TRAINING AND EMPLOYMENT

OF THE

COMMITTEE ON VETERANS' AFFAIRS HOUSE OF REPRESENTATIVES

NINETY-SEVENTH CONGRESS

FIRST SESSION

MARCH 31, 1981

Printed for the use of the Committee on Veterans' Affairs

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REHABILITATION, EDUCATION, TRAINING AND EMPLOYMENT PROGRAMS ADMINISTERED BY THE VETERANS' ADMINISTRATION

TUESDAY, MARCH 31, 1981

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON EDUCATION,
TRAINING AND EMPLOYMENT,
Washington, D.C.

The subcommittee met, pursuant to notice, at 8:30 a.m., in room 340, Cannon House Office Building, Hon. Robert W. Edgar (chairman of the subcommittee) presiding.

Present: Congressmen Edgar, Boner, Daschle, Heckler, and Smith of Oregon.

OPENING STATEMENT OF CHAIRMAN EDGAR

Mr. EDGAR. The Subcommittee on Education, Training and Employment will come to order.

The purpose of today's hearing will be to review veterans' education, training and employment programs currently administered by the Veterans' Administration.

Witnesses from the Veterans' Administration and the veterans' service organizations have been invited to testify on the effectiveness of three major veterans' programs covered under chapters 31, 32, and 34 of title 38, United States Code. Under review will be current and projected GI bill participation rates, the effectiveness of the current post Vietnam education program (VEAP), and the mandated improvements to the vocational rehabilitation program called for by Public Law 96-466.

We will also be hearing the views of these witnesses on proposed legislation, H.R. 2391, introduced by our colleague, Tom Daschle of South Dakota.

The legislation would extend education, training and employment opportunities to certain disadvantaged Vietnem era veterans, in part, through the readjustment counseling program—Operation Outreach.

Today, over 60,000 Vietnam era veterans have received a wide variety of readjustment counseling assistance from the 91 storefront vet centers across the country.

The data collected to date has shown employment to be a serious problem among those seeking readjustment assistance.

This legislation is designed to target employment and job training assistance to that particular veteran population and assist vet center personnel in maintaining their current level of psychological support for their Vietnam veteran clients.

As the members of the subcommittee know, eligibility for readjustment counseling services is due to expire at the end of the fiscal year.

Two members of the full committee, Congressman Ron Mottl and Congressman Don Edwards, have introduced legislation which would extend those services. The full committee has also approved the funds extending that program through fiscal year 1982.

Ron Mottl, chairman of the Hospitals and Health Care Subcommittee, will be holding hearings on April 8 to review readjustment counseling services currently provided by the Veterans' Administration.

Noting the legislation we will be reviewing today would also have an impact on that program, Chairman Mottl has asked me to extend an invitation to all members of this subcommittee who do not serve on both subcommittees to attend these very important hearings.

If you plan to attend, please notify a member of the subcommittee staff.

It is a pleasure to welcome all of you here today.

The ongoing education and training programs we will be reviewing are of continuing interest to thousands of Vietnam era and disabled veterans. The current effectiveness of the post-Vietnam era education program has a direct bearing on the need for an extended and improved GI bill for an All-Volunteer Force.

I look forward to the observations and recommendations that we will hear today.

I would like to welcome you here, Miss Starbuck. I want to say that I look forward to your testimony. I hope that we can have a very frank discussion about the projected levels for Vietnam era veterans' participation in the GI bill as well as an overall review of all the programs under your jurisdiction.

I know it is difficult to come at 8:30 in the morning and to be here in time to share your views bright eyed and awake, but it is important that we fit these hearings in on the massive schedule we have planned.

So welcome, and you may proceed. Please introduce those who are with you at the table.

STATEMENT OF MISS DOROTHY L. STARBUCK, CHIEF BENEFITS DIRECTOR, VETERANS' ADMINISTRATION

Miss STARBUCK. Thank you, Mr. Chairman.

To my immediate left is Mr. Lewis Dollarhide, who is the Acting Director of our Education Service;

To my right is Mr. Bob Dysland, of the General Counsel's Office;

To his right, Dr. Norwood Williams, who is the Acting Director of the Vocational Counseling and Rehabilitation Service.

Mr. Chairman, my statement, of necessity, in covering the items you asked us to discuss, is somewhat lengthy, and with your permission I would submit it for the record and summarize so that we may get to questions.

Mr. EDGAR. Without objection, so ordered.[1]

Miss. STARBUCK. You had asked that we discuss the participation in chapter 34, which is popularly known as the GI education bill.

[1] See p. 33.

We are, of course, facing a declining population who would be eligible for this program; however, it continues at a rather high rate.

In fiscal year 1979, we had 1.3 million trainees; in 1980, we had slightly over 1.2 million; and in 1981 we anticipate that we will have slightly over 1.1 million.

Because of the eligibility running out, we estimate that in 1985 this population will be down to less than a half a million.

However, traditionally the participants in the program do continue to participate in education in the institutions of higher learning. Approximately 75 percent of those taking training are in such institutions.

The cost of this program, of course, as with participation, does decline. In 1979 the costs were $2.8 billion; in 1980, the cost was 2.3. We anticipate the same cost for 1981. By 1985 we will be down to about $1 billion.

At the request of the Congress in 1979, a survey of veterans was conducted to determine their participation in the program of education or training and to evaluate their accomplishments as a result of participation.

The Veterans' Administration contracted with the Census Bureau for inquiry of a selected number of veterans. The information provided by the Census Bureau was provided to Research Applications of Rockville, Md., for an independent analysis of the data which had been gathered. That analysis was forwarded to the Congress on March 20.

As to completion rates as shown by this study which was taken by the Census, it showed that 62.5 percent of those who had taken college training completed that training. High school, slightly less, 50.3; flight training, 77.4; other residential training, 63.7; correspondence, 62; apprenticeship training, 71; on-the-job training, 74; and farm training, 76.

I think these figures speak well for the use and the efficacy of this program for veterans.

I would like to move now to some consideration of the chapter 32 program, which is the all-volunteer participatory program in which individuals may contribute anywhere from $25 to $100 a month to a fund which is maintained by the Veterans' Administration. The limit on this is, for the serviceman, $2,700. The Veterans' Administration matches this fund on a $2 for $1 basis, and would, if a serviceman participated to the maximum, have available for him an education fund exceeding $8,000.

The legislation permits the Department of Defense to add to the individual's fund funds up to $12,000. This would then make available to an individual that added fund for educational purposes.

In the Department of Defense Authorization Act of 1980, the Department of Defense was authorized to make an individual's contributions for him and, in addition to that, that legislation authorized the individual to, after a required period of service, assign the benefits to a dependent wife or child. I guess I should say "spouse" since it would affect also female veterans.

This test program, known as VEAP, was to terminate in 1981 unless the President, before June of 1981, recommended to the Congress that the program be continued.

This was considered when the Department of Defense Authorization Act was being considered, and the conference report recommended that the contributory program be extended to June 30 of 1982, in order to allow the Department of Defense to fully implement and test the pilot program.

The 1-year extension which was cited in the conference report has been reflected in the agency's 1982 budget, and we will be proposing legislation to extend the program for another year.

The participation in this program, the contributory program, has not at any time been what was expected.

Through January of 1981, we have had a total of 321,159 participants. There are currently active in the program 183,429.

Of those who have participated, 55,580 have suspended contributions but have not asked for refunds. This money remains available for matching and for either refund or use in educational benefits by the serviceman, or he may opt again to make contributions to the maximum.

We have, unfortunately, had 82,152 persons terminate and take refunds of the money which they had contributed. This refund rate has skyrocketed.

In the first year of the program, in 1977, only 2 percent of those participants in the program asked for refunds. In 1980, this went to 40 percent, and the record in 1981 looks like refunds could go higher than that 40 percent.

We feel that these refund requests are a direct result of the economic situation in the country, and the monetary needs of the service personnel are more important at the moment in day-to-day living than to the future.

The first enlistment date, or the first eligibility date for anyone participating in this program, came in calendar year 1980 when participation was very low, but the participation is increasing.

We feel that the Department of Defense should be given the opportunity to review their test program. As I mentioned, we will be submitting a proposal to extend the contributory program to allow the Department of Defense to do that.

Moving now into our vocational rehabilitation and education program, under chapter 31, the changes made by Public Law 96-466 had effective dates in October and April.

The 17-percent increase in benefits was implemented on October 1. We have implemented the following provisions in October: Nonpaid training of an individual who was working in a Federal agency has been changed to pay him or her at the institutional rather than the on-the-job training rate. This makes a difference. The on-the-job was $246 a month for full time; institutional is at $342.

The post rehabilitation allowance has been changed to pay an individual at the full-time rate across the board rather than at the rate at which he concluded his training.

The subsistence allowance for incarcerated individuals convicted of a felony has been discontinued, and the provisions for extension of eligibility and entitlement for those in the program has been implemented.

Additionally, we have implemented the increase in the revolving fund loan but, because of a funding situation in which adequate

money was not available to permit everyone to obtain a loan of $564 rather than $200, we have established controls over the program.

Anyone requesting a loan in excess of $200 must have that loan reviewed and approved in central office. We have not had many of those. We have approved those where real need did exist.

We have asked, for 1981, for a supplemental for this fund; but, I think more importantly, we are going to request authority from the Congress to transfer into the revolving fund loan funds from the readjustment benefits appropriation.

We have, in implementing the provisions of this law, made recommendations to the Acting Administrator for nominations to the Advisory Committee on Rehabilitation.

The charter for that committee is under development, but of course the establishment of the committee and the forwarding of the charter awaits the appointment of an administrator.

The major portion of this legislation becomes effective tomorrow, April 1 and the issues required to implement these provisions in the field are on the way to the field or will be this week.

These deal with the eligibility and entitlement of individuals to vocational rehabilitation. It covers the initial and extended evaluation of individuals in the program, provides for an individualized written rehabilitation plan to be prepared, covers the crossover authority of individuals eligible for chapter 31 who elect to accept benefits under chapter 34, provides for instructions to the field dealing with incarcerated veterans, the authorization of supplies and equipment.

We have constructed rather drastic changes in our work measurement program, and we are covering payments to hospitalized veterans

With respect to the eligibility and entitlement, we are coming down very strongly on the responsibility of the regional office personnel to determine the employment handicap of an individual applying for this program, and this employment handicap, of course, must be service connected and is the key to any extension beyond the 12-year period for training or the 48 months of training.

We feel that the individualized written rehabilitation plan will allow us to improve the planning for the individual, will provide for the veterans 'input into the program, and will give us a better handle on coordination of his training.

The individual written rehabilitation plan, we feel, will be a motivating factor for veterans and will certainly improve our accountability in the program.

With respect to employment, we are coordinating all initiatives with the Deputy Assistant Secretary of Labor for Veterans Employment, and our field station personnel are working in outreach with employers and with State representatives.

Probably the biggest change that was legislated in that Education Improvements Act was the concept of independent living, and this would be available to individuals who are found not feasible for training.

The planning for this program was to be effected in 1981, and we are in that mode. The first individuals to be placed in independent

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living milieu would be in 1982. And the legislation calls for approximately 500 enrollees in this program a year.

The budget constraints which we have taken will have some effect on this program; however, we feel that with full coordination with the Department of Medicine and Surgery and with State and private rehabilitation organizations, we are in a can-do stance on this.

This is a total new look for our rehabilitation program, and we are challenged by this. We feel that with the instructions that are going out, there will be some very exciting things happening in this program.

We are going to enforce the provisions of this not only with our regional office directors but by training sessions with the counseling psychologists and the vocational rehabilitation specialists who will be directly involved in this.

Moving now to the subject of education loans, this is a program which started in the Veterans' Administration in 1975.

It started out initially with a limit of $600 loan maximum and provided that the student must have been turned down for a guaranteed loan program. This gave us, then, individuals applying in the program who had been turned down by every other provider in the system.

In 1976 the loan amount was increased to $1,500, and in 1977 the loan amount was increased to $2,500. At that time the provision for the individual being turned down by other providers was no longer required.

In 1978 the Veterans' Administration surveyed this loan program, because we realized that we had problems in it.

We found the loan program not really related to the cost of education, rather to the high cost of living. We tightened up on the provisions that would permit the approval of a loan, and in the passage of Public Law 95-476 the limit on education loans was to be to persons attending schools whose tuition costs were $700 a year or more.

This caused the number of loans approved to go down in 1980 by about 30 percent. In that year—1980—16,511 loans matured at a face value of $17.9 million. Unfortunately, in those matured loans there were 13,000+ defaults for a total of $14+ million.

The default rate in this program as of December 1980 was 67.1 percent, and we cannot consider this under any circumstances to be good business.

We are stepping up our collections in this program, and in 1980 we do have provisions for our regional offices to refer defaulted education loans to the district counsels for enforced collection.

Education loans, of course, are a part of our overpayment picture, and I would like now to discuss a little bit of the activities in which we are engaged with respect to debt collection.

Public Law 96-466 did speak to debt collection and provided that we offset from current benefits beyond the expiration of the statute of limitations on a debt.

We also asked that district counsels be used for enforced collections, asked that we charge interest and report to consumer reporting agencies those loans in default.

As a general practice, the Veterans' Administration has always offset debts against current benefits. When questioned by the General Accounting Office as to the legality of that action, we sought legislation, and it was passed, and we now continue that practice.

The original agreement with the Justice Department to permit enforced collection by Veterans' Administration attorneys was reached on October 17, 1980.

The two provisions of the legislation which we have not yet implemented are the charging of interest and the reporting to consumer reporting agencies.

The reason for this is that the computer capacity available in our program was inadequate at St. Paul. We anticipate that with the relocation of the St. Paul Data Processing Center we will have a site where computer capacity will be available, and we will move ahead to implement those two provisions.

Additionally, this would require that we reactivate all overpayments on which collection action had been terminated in order that we might notify a veteran prior to our beginning to charge interest on his account or to refer his account to a consumer reporting agency.

The debts on hand in the agency as of January 1981 amount to $401.2 million. This includes almost $64 million which have been referred to the Justice Department for enforced collection.

Our establishments are down—which is a hopeful sign—about 17 percent from fiscal year 1980. However, the records show that our dispositions of indebtedness are down.

There is a quirk in here, in that we recently added to the active accounts 10,000 accounts on which collection action had been terminated. It was necessary that we go to the Internal Revenue Service for addresses on these accounts before we could begin pursuit.

These 10,000 accounts are there for a test purpose, to determine if in fact the reactivation of these old overpayments will prove fruitful.

The 1-year test, using district counsels for enforced collection, started in 10 of our district counsel offices.

They were limited at that time to debts ranging from $200 to $600. It started out with debts which had been referred to the agency by the General Accounting Office.

The results of this test were positive, and we expect to continue this program in 1981 and to expand it in 1982.

In the authorization, the Congress provided that the Veterans' Administration establish 300 positions to pursue this debt collection in 1981; however, with the Office of Management and Budget attempting to reduce the total Federal employment, we were allowed only 120 positions of the 300 which had been authorized.

The 1-for-2 freeze which was in effect under President Carter would have then permitted us to fill only 60 of those positions.

We asked for an exemption from that freeze. It was given to the agency on January 19, 1981, and on January 20, 1981, President Reagan was inaugurated and imposed a freeze on Federal employment that day.

We went to the Office of Management and Budget requesting an exemption for debt collection purposes. That was granted on Febru-

ary 24, 1981, and recruitment to fill those 120 positions is substantially complete.

In May of 1980, anticipating the acquisition of 300 positions, the Veterans' Administration and the Department of Justice entered an agreement whereby the Veterans' Administration could pursue debts up to $1,200.

The Department of Justice took this opportunity to return to the agency some 30,000 cases in which the indebtedness was under $1,200, and we are looking toward, of course, the reactivation of inactive cases.

Right now we estimate that we have 200,000 cases on hand in our CARS operation and in our regional offices which could be referred to district counsels for enforced collection.

With a range of referral of about 8,000 to 12,000 cases to the district counsels a month, the ability of the agency, with the limited employment that has been made available to us to eat into that 200,000, is going to be at the minimum.

We will have in the agency about 179 positions in 1981 pursuing debt collection. These are broken out, basically, between the regional office fiscal operations and the district counsels.

We do expect in 1982 to go to 318. We still consider this minimum, and we could not with that strength meet the 24 million that we had anticipated for 1982.

It has been suggested to us that we use private collection agencies to pursue the collection of these debts; however, the General Accounting Office has concluded that agencies may not enter into such agreements unless provided legislative authority to do so.

We are also pursuing the idea that the Internal Revenue Service offset indebtedness to the Federal Government in the tax refund program.

We feel, in the agency, that the referral of debts for collection to the General Counsel is an effective operation.

Thus far the district counsels have resolved some $2.2 million in cases referred to them. They have collected a half a million in cash. They have, by recoupment, settled $1,107,000 and have some $676,000 in repay plans which have been signed and agreed to by the veteran.

The IRS has been furnishing addresses to us since 1979. We have asked for addresses on some 306,000 cases. But we can use these addresses only for making contact with the veteran. We cannot use them to go to a third party for credit information.

In 1979, to further our efforts in debt collection, we provided that no loan application would be approved or committed for guarantee if an individual had an education overpayment, or an overpayment of any kind, and failed to make proper settlement or agreement to settle.

We have collected in that activity some $9.7 million, and we expect in 1981 to collect an additional $2.4 million as the result of repayment plans effected.

Moving now, Mr. Chairman, to the proposed H.R. 2391. As you mentioned, this provides for a one shot 2-year extension of the delimiting period to provide for on-the-job training or vocational training effective October 1 for individuals who, having seen counselors at an outreach center or a medical facility or a State employ-

ment office or even in a regional office, is determined to be in need of such training.

The proposed legislation also provides that, subsequent to training, the individual would be furnished employment counseling.

Our position with respect to this is that we oppose an extension of the current 10-year delimiting period. This is not really felt to be consonant with the readjustment intent of the legislation, and it could conceivably open the door to other extensions.

Our experience has been that such programs tend to lead to abuse, and vocational schools who would participate in such programs recruit high but have a high fallout rate.

In addition, the training of unskilled individuals does not necessarily guarantee job placement, and we feel that this would raise expectations which could not be fulfilled.

In addition, there are other Federal programs available to such individuals, and taking advantage of those is certainly an option.

This proposed legislation also would extend correspondence training and, since this administration proposes to terminate both flight and correspondence training effective July 1981, we would oppose any new authority to extend correspondence training.

This has not been found to lead to meaningful employment. It has been used, really, more for recreational and avocational use.

Moving now into the effect of the budget cuts, Mr. Chairman, the guidance which the agency received from the Office of Management and Budget in these cuts was that the Department of Veterans' Benefits should restructure its organization to provide for centralization of the benefit application processing.

This would involve, of course, applications for compensation, pension, education and the guarantee of GI loans.

In addition to the savings in personnel which would be attributable to such a move, the personnel requested in 1981 and 1982 for the vocational rehabilitation program which would total 115 full-time equivalent positions were denied, as were the positions we had requested for the study of the microfilming of our records.

The extension of the delimiting date was also removed and this, then, puts the Department of Veterans' Benefits in the position of reducing its 1982 employment by some 1,800 full-time equivalent positions over the Carter budget as it had been submitted in January.

We have, for planning purposes, distributed that cut across the various programs, and I would like to mention a few of them this morning.

The estimated reduction in our adjudication operations would be 620 full-time equivalents. This is the division where the applications for compensation, pension, and education are reviewed and decisions made.

What this means for us is that there would be, quite frankly, an increase in the time required to process the workload, since there is no anticipated great reduction in workload.

I have just received from a special task force a study of field operations with respect to the adjudication processes and, while we have had only a preliminary review of that, we feel that there are items in there that will permit us to accommodate not to the extent of this reduction but certainly to mitigate its effect.

Our Veterans' Services Division, we anticipate, would be cut 496 full-time equivalent positions. This means that in our field operations the outreach activities which we pursue, the compliance surveys which we are required to conduct, the liaison activities with schools and with the State, the approval activities in which we participate with the State, the equal employment opportunity surveys that we are required to make and the State-approval contract administration will have reduced emphasis.

It is going to require that we take a very close look at what we are required to do, and where it is necessary that following evaluation some rescission legislation be proposed, we will be in a position to do that.

The vocational rehabilitation and counseling service, as I mentioned, loses 115 full-time equivalent positions in 1981 and 1982, maintaining its strength at 566.

This basically is going to mean that to operate the program we will have to bring into the regional offices those out-based counseling psychologists and vocational rehabilitation specialists and go to the use of guidance center counseling in order to provide counseling to veterans in various communities without incurring high travel costs for these individuals.

There would, of course, be relative cuts in our fiscal operations, in our administrative operations, and in our loan guaranty.

This, Mr. Chairman, is a real challenge to us. And the challenge is to accept the reductions, to distribute them as judiciously as we can, to keep at a minimum the inconvenience of relocation of employees; but, through all of this, keep the administration of the benefit programs at an acceptable level.

While the guidance which we have received called for centralization, we do not really feel that that is a viable option.

We have touched base with officials at the Office of Management and Budget, and they have indicated that they would agree with our proposal that rather than centralize, we could, as a bottom line action, regionalize to three locations.

This guidance came to us and did not take into account the total costs that either regionalization or centralization would entail. We have not yet firmed those costs; however, we are working on that.

In addition to that we are planning the staffing that would be required in three sites. We have made contact with the General Services Administration, asking them to provide us information on any available sites that they would have, since we must rent our space from the GSA.

This is all a very tenuous situation at the moment, Mr. Chairman, but we are moving ahead with plans. The problem that we do face is that in order to accommodate to the reduced 1982 level it will be necessary that we make a reduction in our regional offices and in central office so that we can come very close to approaching the 1982 employment level, and this will, without a doubt, involve a reduction in force in our regional offices and in central office.

We are attempting to get this done with the least possible hurt, but still without great adverse impact on our delivery of services.

Mr. Chairman, this concludes my review, and we are available for questions from you and your staff.

[The prepared statement of Miss Starbuck appears on p. 33.]

Mr. EDGAR. Thank you very much for your statement. We asked you to cover a lot of territory this morning, and you have done that very adequately.

I am taken by your comments toward the end of your statement in terms of the impact of the administration cuts on services and programs, and the pressure toward regionalization of VA benefit services that you are under at this point.

I am reminded that a number of service organizations had hoped that this new administration would not make serious reductions in veterans' programs.

But it sounds, from just the few words that you were able to focus on that particular issue, that there is some uncertainty, some turbulence, some transition that you are going through at this point. I sense that you are not sure what the bottom line outcome is going to be in terms of delivery of service, collection of debts, processing of the programs that are under your jurisdiction.

Would that be an accurate assessment of your concerns?

Miss STARBUCK. Yes, Mr. Chairman, that would be.

Mr. EDGAR. A few months ago you and I talked about the need to come forward with a supplemental for education benefits that were underestimated by the Office of Management and Budget. Have you come forward with that supplemental request?

Miss STARBUCK. We have not yet increased the amount of that supplemental. We will be doing that in about a month.

Mr. EDGAR. Do you have any guess as to how much you will be asking for?

Miss STARBUCK. The supplemental that is now in the system calls for $217 million. We still think that we will be moving up to $475 million.

Mr. EDGAR. $475 million additional money for 1980?

Miss STARBUCK. Yes.

Mr. EDGAR. Thank you.

I have a lot of questions to ask, but I think in fairness to my colleagues, particularly my colleague Tom Daschle who introduced H.R. 2391, I would like to yield to him at this time to ask some questions, and then I will yield to my colleague from Oregon and come back to some specific questions.

Mr. DASCHLE. Thank you, Mr. Chairman.

Miss Starbuck, I appreciate your comment, and I guess I will use what time I have to focus on the administration's position on my legislation in particular.

It is my understanding that the Carter budget did include a 2-year limiting date of scheduling for what they call disadvantaged veterans.

Now, as I understand it, the Reagan Administration has dropped that position, and they do not favor any extension at all. Is that what you are telling us?

Miss STARBUCK. That is correct.

Mr. DASCHLE. Well, the list of reasons that you were given for that drop—was it budgetary?

Miss STARBUCK. It was budgetary, sir.

Mr. DASCHLE. All right.

You are there during administrations. They come and go, but Dorothy Starbuck still stays on as an administrator of many of these programs.

Can you give me your own personal opinion, Miss Starbuck, on how you feel the delimiting date extension would impact on veterans?

Would it be a beneficial thing or not? I am not going to hold you to the Reagan administration or the Carter administration. What is Dorothy Starbuck's personal opinion?

Miss STARBUCK. Dorothy Starbuck's personal opinion, Mr. Daschle, is that it really would not do the trick.

I think that when—and the Congress has been more than generous in this reference—education programs are made available across the entire spectrum of education and training, that those who really want to take advantage of it do so within the delimiting period.

For those individuals who within 8 or 10 years, as the case may be with respect to legislation, don't really get themselves together so that they can take advantage of such a thing, if it doesn't come about in 10 years I just do not feel it is going to happen.

Mr. DASCHLE. Is it 10 years, in your opinion, or is it really 6 for a person to respond to entitlements and to be entitled to the full impact of educational benefits?

Does he not really have to start out at 6 years in order to avail himself of the whole budgetary entitlement?

Miss STARBUCK. Right.

Mr. DASCHLE. So, in other words, you are saying that if this guy does not get his head together, if he has a family, he is coming back, he is readjusting, he has moved, all that has to be settled within 5 years? Because, of course, it takes a year's time to get enrolled in school and to get it approved.

So what you are saying is that in 5 years' time, generally, every veteran across the country—8.8 million veterans in Vietnam—generally have to have their act together in order to be entitled to the benefits.

Is that what you are saying, basically?

Miss STARBUCK. I think we have to face the fact that everyone who goes into the military is not necessarily an individual who has completed a high school education or who has had a bit of college; although our experience with the Vietnam veterans is that a good number of them had completed high school.

There are probably today in the military individuals who will serve without taking advantage of many of the programs available in the military and, consequently, would not take advantage of an education program following military service. Not everyone in the world wants to go to school.

Mr. DASCHLE. I know you are a strong supporter of the psychological readjustment training centers across the country. The purpose is to go out and find those people, provide the kind of psychological training they need, regardless of whatever number of years it has been that they have been out of the military.

If they have trouble with drug abuse, if they have trouble with psychological needs, if they are trying to put their lives back to-

gether, this provides them with the inherent value of outreach centers.

Would you be opposed to providing the Administrator with discretionary authority—discretionary authority as opposed to an entitlement program for every veteran, that kind of discretionary authority—to further provide a delimiting date on a case-by-case basis where in the opinion of the VA those 2 additional years could be of immense help in helping this veteran put his life back together?

Miss STARBUCK. Are you asking me personally?

Mr. DASCHLE. I am asking you personally. This is a very personal conversation we are having now. [Laughter.]

Miss STARBUCK. Well, it kind of puts us in the position of being all things to all men at all times. I just have to wonder how far the responsibility of the public of this country goes toward assisting an individual to regain himself and then to put him into an employment milieu successfully.

I would be concerned, and I see where such a thing could be very attractive. But at this time I would still question the success of such a program.

Mr. DASCHLE. Well, if you will forgive me—I am speaking more as a Vietnam veteran than as a Congressman, using what Vietnam veterans often call jargon—that blows me away.

I cannot believe that we should be concerned about whether or not a program like this is working, before we even try it.

It seems to me it denies the Administrator—and I fully respect your opinion, and I guess I am asking for some rebuttal time—it seems to me that you are denying the Administrator the right to use a tool that he may find to be a very, very important one in dealing with these veterans.

These veterans come in to the center, and they need help. They need the kind of training and assistance that only that center may be able to give them. But then they put them on the street with the job half done.

It seems to me that on a case-by-case basis to provide that opportunity might allow us to finish what it has started. Let me develop this.

Am I out of time, Mr. Chairman?

Mr. EDGAR. Well, you have gone about 8 minutes.

Mr. DASCHLE. I had some other questions.

Mr. EDGAR. I will come back to you on the second round, if that is all right.

Mr. DASCHLE. All right.

Miss STARBUCK. Mr. Chairman, if I might just say this: Quite frankly, as far as I know, we have not identified—and this may be an oversight on our part—an individual who has been through an outreach center, who is deemed by a counselor in that outreach center to have himself back ready now to train, and then has been offered into one of the programs for which he might still have some eligibility.

To pursue your idea, it might be wise for us to identify such individuals to see just where they are with respect to their future and any eligibility they might have.

Mr. EDGAR. Mr. Smith from Oregon.

80-669 O—81——3

Mr. SMITH. Good morning.

Miss STARBUCK. Good morning, Mr. Smith.

Mr. DENNY SMITH. A couple of things: I am a Vietnam veteran also—I was an Air Force officer and was a little older at that time—and I share your view in that I think that that outreach program has probably been a pretty good program, but maybe it could identify some of these people.

I toured the line in Portland, Oreg., and have been briefed by the people there. For the dollars expended, maybe it is not too bad.

I question also, how long we have to go on trying to support something. One of the questions I had which was not answered by the people there, which I had requested in a letter, is: How many of these individuals who are involved there would have had problems had they not been in the military, regardless?

Since I understand that these people are doctors or psychologists or psychiatrists, they should be able to get some kind of a figure on that.

We could get some real problems when you take the broad spectrum of citizens in this country, put them in the military, and then say that everything that they have for problems is caused by the military.

So, how long does the American public have to go on supporting something on which you have that question?

On the other hand, we would like to get his act together, but is that the Veterans' Administration or some other area?

I am curious about a couple of things.

Back to page 3 of your testimony. I qualified for GI bill benefits, but did not use them.

Does that mean that I became one of the statistics you referred to, even though I never spent any VA money?

Miss STARBUCK. No.

Mr. DENNY SMITH. It does not?

Miss STARBUCK. Not unless you are a full-time participant.

Mr. DENNY SMITH. All right; good.

Now, your actual participation is very, very small as the GI bill goes down; right?

If only 10 percent of Vietnam veterans used all of their entitlements—is that correct?—about 10,000, in other words. Is that about what it was at that time?

Miss STARBUCK. The participation rate for the Vietnam era veterans has been excellent.

Mr. DENNY SMITH. About how much of the total?

Miss STARBUCK. About 65 percent.

Mr. DENNY SMITH. Sixty-five percent?

Miss STARBUCK. Yes.

Mr. DENNY SMITH. All right. But some of them just started and did not go very far, I gather.

Miss STARBUCK. That is true. But about 60 percent of those veterans who did train did reach their educational or vocational objective, and that may have happened without them using the total entitlement which they had.

Mr. DENNY SMITH. All right. Only 10 percent spent their full amount of money.

Miss STARBUCK. Used all of their entitlement. Yes, sir, the 45 months—or 36 as it might have been at an earlier time.

Mr. DENNY SMITH. All right. That is something that I have asked about before.

The next question goes to page 20, where we are talking about the amounts of money that have not been collected in defaults.

I think that is a really good example of what was started out as a great program but has turned into an entitlement.

Unless we do something very aggressively about it, I think the impacts on the potential of the future GI bill program and on the entitlements or the dollars, or whatever you want to say, for the future veteran is probably one of the toughest things we have got to face.

As an administrator, I would not like to be in your position, not given the tools to really go after these people. It is a debt that is owed.

Just one sidelight: Has the new bankruptcy law hindered your collection?

Miss STARBUCK. Well, it impacts on it somewhat, but not to a wide extent.

Mr. DENNY SMITH. Well, that really seems like a sad chronicle in the history of the veterans' affairs to have a veteran who does not realize that this is part of his responsibility when he takes out that loan.

I wonder if there is any way, in your personal opinion, that we could strengthen the teeth in this thing to get these people to not only pay, but to be sure that the loans that you are going to give loans to now don't consider it to be a grant.

Miss STARBUCK. There are two facets there.

As I mentioned, we are referring these defaulted loans to our district counsels, and they will be taking enforced collection action.

If we were to apply to the underwriting of these loans the same criteria that we apply, for example, in reviewing an application for the guarantee of a GI home loan, there would be for consideration some increased time and energy on the part of our personnel, to which I have no objection, but which at the moment we really cannot sacrifice in other areas to give this.

This has not been a program in which any good businessman would have hung in there as long as we have.

Mr. DENNY SMITH. That is always a part of the Government's problem. We are not very good businessmen.

Miss STARBUCK. If this continues, and our collections do not really show that we are going to be able to get after these people, I think our alternative is to suggest recision legislation for this.

Mr. DENNY SMITH. I wonder if your comment there about trying to qualify an individual for any benefit at the time that he comes into the VA, whether it be a homeowner or anything else, in other words establish some kind of criteria, would be a way to——

Miss STARBUCK. This would tighten it up; yes, sir.

Mr. DENNY SMITH. I am sure it would.

That would take how much in administration? Quite a bit?

Miss STARBUCK. It would take quite a bit; yes, sir.

Mr. DENNY SMITH. All right. Maybe it might be paid for if we did it directly.

Well, thank you, Mr. Chairman. Thank you, Miss Starbuck.

Mr. EDGAR. Thank you.

Mr. Boner?

Mr. BONER. Yes.

Miss Starbuck, why are we having such difficulty collecting the debt owed to the Federal Government by some of the veterans?

Miss STARBUCK. Are you talking about the education loans?

Mr. BONER. Yes.

Miss STARBUCK. I think in a lot of instances, more than I would really like to think, the education loan was seen as an entitlement benefit and was taken as such.

I recall some years ago I was visiting in San Francisco and asked the director at that station about the loan program, and he said, "We are buried with applications for loans."

I said, "From what schools?" He said, "Mainly from community colleges." I said, "What is the tuition at community colleges?" It was zero.

At that time we asked whether individuals attending no-tuition schools would be eligible for GI loans. We were told they would be.

This was borne out by the 1978 survey which we did, which merely showed that these loans were being made in high cost of living areas, particularly in what is termed the Sun Belt area, where community colleges did thrive but the cost of living to individuals who would be going to those schools was beyond their capacity. So the loan was not necessarily being put to the education but to the living, but it was viewed as an entitlement.

Mr. BONER. Wasn't legislation passed last year which would offer some ways of collecting the outstanding debts?

Miss STARBUCK. Yes, sir.

Mr. BONER. Has that helped?

Miss STARBUCK. We have just recently issued the instructions to our field stations to refer these loans to the district counsel.

The district counsel is assisting us not only with respect to education loans but all other overpayments. And while that program has been limited by the personnel made available to us, it is a successful program and will be cost-effective.

Between our centralized accounts receivable operations—our regional office fiscal operations and the district counsels—we are figuring that it is costing us only about 14 cents to collect a dollar.

Mr. BONER. You spoke of some of the alternatives that are available to try to collect this money. Have you explored the possibility of contracting with a private collection agency?

Miss STARBUCK. That has been suggested to us, sir.

Mr. BONER. Aside from the legislation that we passed last year, what other recommendations would you have to try to collect this money?

Miss STARBUCK. So far the legislation has proven adequate for us. The problem is not necessarily with the legislation, it is with the implementation by the acquisition of sufficient manpower to pursue the program.

If we do consider asking for legislation to allow us to go to collection agencies, it would be with the stipulation that the Veterans' Administration will retain the right to litigate to reinforce collection.

The one thing that would probably be most helpful to us would be legislation which would permit us to reveal IRS-furnished addresses to third parties, so that credit reports and consumer reporting agencies could be contacted.

Mr. BONER. Is that not included in the legislation we passed last year?

Miss STARBUCK. No, sir, it did not. It did not permit us to release to third parties addresses furnished to us by the Internal Revenue Service.

Mr. BONER. All right. I have no other questions.

Mr. EDGAR. Thank you. I have a number of questions that I would like to pursue, and we will take about 10 or 15 minutes, because we do have other witnesses this morning.

Let me begin by thanking you for your frank and honest, personal as well as professional positions on these issues.

Just to follow up on a comment that Mr. Daschle was pursuing on H.R. 2391, I appreciate your honest response in terms of your personal view, but I am having a little difficulty in that the former administration over the last 2 years supported that 2-year extension.

You and others in the Veterans' Administration vehemently and articulately argued on behalf of that program. I see this shift taking place in a 2- or 3-month period from total support to total opposition on this piece of legislation.

I wonder how much of that shift is a shift in terms of monetary policy—economic policy—as opposed to programmatic shift? Or were you quietly in opposition to the program within the Veterans' Administration for the previous 2 years and just had to go along with the program?

Miss STARBUCK. Mr. Chairman, I think that it is basically monetary. I do not think it is philosophical. What they were looking at, for example, in 1982 was a $63 million estimated cost to the program. In addition to that, there were administrative costs attached to it—employment in the Department. So I think the whole thing was monetary.

Mr. EDGAR. Let us put a scale out from zero to 10—10 being good, zero being bad—and we will have that little scale to work on as we look at a couple of programs. The first program is the education loan program which you talked about. How would you judge that program on a scale from zero to ten?

Miss STARBUCK. The education loan program itself, I think, was a good idea. I think it was not limited enough in its initial implementation, when you recognize that when this program first started we were accepting applications from individuals who had been turned down under the guaranteed student loan program as not being a good credit risk.

So we started out with, basically, a poor credit risk in the program and gave him a loan of a maximum of $600. That was later moved up to $1,500, still dealing with an individual who had been turned down.

It was not until the loan went to $2,500 that the turndown was eliminated.

I think, in implementing that law, we could have had a better handle on counseling veterans about the responsibilities that they

were undertaking in making the contract with the Veterans' Administration. Perhaps we might not have made as many loans as we did, and perhaps we could have had a better recovery picture than we have had.

Mr. EDGAR. If we were going to redo that loan program, given the experience and learning curve that you have made, would you suggest some specific alterations and changes to learn from your mistakes?

Miss STARBUCK. Yes, sir, we would.

I think that it was originally intended to assist those veterans who were attending high-cost schools, and I think that it basically should be confined to that intent. Today a school having $700 in tuition is really not a high-cost school. So if we are to make loans available to veterans, I think we need to concentrate on what was the original intended purpose of that legislation.

Mr. EDGAR. On a scale from zero to 10, where would you place that program?

Miss STARBUCK. If we do not look at the success of the collection effort, I will put it at a six.

Mr. EDGAR. All right.

How about the VEAP program that was put in place to be a contributory program? How would you scale that on a zero-to-10 scale?

Miss STARBUCK. I would have to rank that one up somewhere about eight, Mr. Chairman. I am ignoring in that what has happened in the economy that has caused so many people to go in and take refunds from the program. But this provides to an individual in service some responsibility to think about his or her future, and to take part in the building of that future by investing some of his or her own money.

I think that it became a victim of the economy, and it is perhaps being viewed as not as successful as it could be, but I would still rate it as a good idea.

Mr. EDGAR. Suppose that program and all the other test programs out there were replaced by legislation similar to H.R. 1400, which becomes law, is placed on the President's desk and signed.

What can be done to avoid the overpayment problem that developed with the other Vietnam-era GI bills? Is it only staff?—that is what I am trying to get to.

Miss STARBUCK. No, I don't think it is only staff. If a new education bill is constructed that it needs to be a rather rigid one; not making, for example, available to a former serviceman or a serviceman such things as pursuit of education below the high school level with no entitlement charges.

If we deal with a new education program, we would have to provide for an educational benefit without, perhaps, such things as work-study benefit which permits the individual to work for the Veterans' Administration, taking some time away from that time he might be devoting to studies for an amount of money, about $837 a semester. We need to make it known that we would be more serious about an education program. I think that we would have to increase our relationship with schools.

But it all comes down to the veteran, the school, and the VA, each one doing what he should be doing at a point in time when changes in pursuit are made.

I have yet to find a correction for the fallibility of man. I do not know how we might do it.

Mr. EDGAR. Listen, if you find that we will make about a thousand copies and spread them around a little bit. A number of people would like to figure that out. [Laughter]

Let me ask you a very sensitive question: What is the morale like down at the Veterans' Administration in your department at this point?

Miss STARBUCK. I think the morale is pretty good. We wish we had an Administrator, of course. We have some feeling that we are perhaps just floating on the surface. Everyone is concerned about how these——

Mr. EDGAR. Do you feel as though you are in control? Or is OMB in control?

Miss STARBUCK. With respect to the budget cuts, OMB is in control, sir. But as members of the executive department, Mr. Chairman, you understand that we support the President.

Mr. EDGAR. I appreciate that.

I was confronted by some VA employees this weekend who happened to bump into me at an event that I was speaking at.

They indicated to me that morale at the local level in the Veterans' Administration was very low, because the cuts, the rumors of cuts, the confusion of how laws are made and not made, and how budgets are made and not made is pretty rampant within the system. There are rumors, particularly concerning the consolidation of the regional offices, that are causing a great deal of uncertainty: job uncertainty, family uncertainty, relocation uncertainty—turbulence within the lives of those veterans.

I wonder whether or not your feeling that morale is pretty high at the level here in Washington is reflective of some of the mood out in the field offices.

Miss STARBUCK. I know that in the field offices the personnel are somewhat disturbed. Following our appearance before the House Appropriations Subcommittee, I conducted an all-station conference via our telephone system, and I told all of the directors—and asked them to record my remarks—told them basically how our plans were advancing.

You must realize that was about 2 weeks after we had gotten the guidance from OMB. So, really, everything was very fluid, and still is.

I asked each of the directors to make my remarks known to their personnel so that at least everyone in the system could be informed as to the direction in which our plans were taking us.

I appreciated the fact that there would be concern on the part of employees. At that time I could not allay those concerns by assuring them that, yes, a year from today you would be an employee of the Veterans' Administration.

I asked for, and I think I have received, the cooperation of our field personnel, and the minute that we can—and I hope that will take place, if not this week then surely next week—we will be able to tell them, each of the field stations, what their 1982 ceilings will

be and that we can then move ahead with the reductions in personnel that will be necessitated, program by program, in order to reach a figure very close to the 1982 allowance.

We cannot really allay the individual fears that a person has about relocation or even about a reduction in force until we have a very solid allowance for each of the stations, and then they can take from our paid system a listing which will let them begin a reduction in force.

Mr. EDGAR. Let me ask you two brief questions, and then I will yield to my colleague from Massachusetts.

What, specifically, will be the impact on service-connected disabled veterans if the administration proposal to reduce the budget for vocational rehabilitation is carried out?

Miss STARBUCK. It is our intent, Mr. Chairman, that there be no adverse impact on that program.

We are going to have to, perhaps, redirect our energies and concentrate most of that energy on the very seriously disabled veteran. For the person who has a disability that does not handicap him as far as employment is concerned, we will give him a lesser amount of attention.

Mr. EDGAR. Would you please provide for the subcommittee any and all regulations and policies developed by the Veterans' Administration to implement the provisions of Public Law 96-466, affecting chapter 31, the vocational rehabilitation area?

Miss STARBUCK. I would be most happy to do so, Mr. Chairman.[1]

Mr. EDGAR. Thank you.

You have brought some experts with you. Do any of them have any comments to make, other than in response to any of the questions that were laid out?

[No response.]

Miss STARBUCK. Thank you, Mr. Chairman.

Mr. EDGAR. All right. I yield to my colleague from Massachusetts, Mrs. Heckler.

Miss HECKLER. Thank you, Mr. Chairman.

Is there any way that this centralization of function could possibly serve the veteran in the same way the present regionalization program does?

Obviously there are going to be centralization difficulties—all transactions will be handled through correspondence, and there will not be the knowledge of a State perspective, the needs of the veterans in a particular State.

Centralizaton will make the VA a very depersonalized system. Do you believe that the level of service can be maintained under those conditions?

Miss STARBUCK. I think that the level of application processing, Mrs. Heckler, could be maintained.

I grant you that it takes away from each of the States what we feel now is a rather personal relationship between the regional office and the veteran, but I think as far as the processing of the paperwork is concerned, that would not suffer—not in the long run.

There will be great disruption when this takes place, we know that from past experience. Once the recovery takes place, then, as

[1] Retained in committee files.

far as the paperwork processing is concerned, there would be no drastic change at all.

Mrs. HECKLER. Aren't there functions that are performed in a regional office that go beyond the exchange of paper?

Miss STARBUCK. Yes. Probably the most important of those would be the rating activity, in which an individual who is dissatisfied with the rating that has been granted to him may disagree with the decision of the regional office and may opt for a personal hearing before a rating board in order to pursue his or her case.

This is one of the prime activities in which an individual veteran can come to the Veterans' Administration to plead his case. That would be impacted by this.

Now, what this could conceivably wind up being, Mrs. Heckler, is that we would have to assign an individual from a regionalized office to visit the various States to hear cases. This involves a great deal of travel money.

Mrs. HECKLER. That seems to be sort of the circuit judge role in which you would travel the circuit. But in fact this would mean a tremendous delay in the processing, simply by virtue of the burden of cases on the hearing judge, whoever that person might be, and that in turn further delays justice for the veteran, it would seem to me.

But why is the compression so extreme? If one wanted to streamline the system and reduce the number of offices, certainly there could be an intermediary step before one goes down to merely 3 regional offices from the current 58.

This seems to be actually creating almost a mechanical function in three places for the handling of veterans' cases. That does violence to the kind of service that the veteran has received and deserves, it seems to me. Was there an interim step or could you see an interim reorganization that would not be so extensive?

Miss STARBUCK. To accommodate to a cut of that magnitude, Mrs. Heckler, we have looked at every possible combination of activities that we could think of. Not one of them would result in a personnel reduction of the extent that we were charged with.

We also considered, say, the intermediate step but had to look at the bottom line which we feel is regionalization, if this cut portends for the future; that to ask an individual this year or next year to relocate his or her family, and then perhaps a year or two later go through the same exercise, would be more unfair than an initial move to a regionalized location.

We realize what great disruption in family life this creates, and so we kind of bottom-lined that impact by moving ahead to the three regional sites that we would propose.

Mrs. HECKLER. Well, I can see the burden on the employees as being very great in terms of possibly involving future moves, but we also have to look at the mission of the agency, which is to serve the veteran.

Certainly an interim step or some number between 3 and 58 would seem to be infinitely preferable to this fast, immediate, total compression of the services.

Miss STARBUCK. Well, quite frankly, Mrs. Heckler, it will not be fast—it cannot be. There is no way that we can do anything positive toward regionalization or centralization this fiscal year.

What we will be looking at for regionalization in three sites would be: three buildings of greater capacity than our central office building and, in addition to that, those buildings would have to be located in communities which would have the capacity to take an influx of personnel in their own housing market. This is not going to be easy.

Mrs. HECKLER. Realistically, do you really believe that all of those employees will stay with the VA if this plan is actually developed?

Miss STARBUCK. No. Historically, I think, probably with the relocation, not more than 20 percent of the employees would opt to go to a new location. This creates for us, then, a nightmare of losing in a centralized location the experience and the talent of trained employees.

Mrs. HECKLER. Was any thought given to some streamlining of the central office procedures and functions and personnel?

Miss STARBUCK. We are trying to screen everything, not only in central office but in the field. Of course, there are things that we can do differently than we do them now. The way we do them now is not necessarily right because we have done it for a long time.

I think we have new challenges ahead of us now that are going to cause us to be more critical of ourselves and the way we do things than we have ever been.

Mrs. HECKLER. Thank you, Mr. Chairman.

Mr. EDGAR. Thank you very much. You have been very patient with us this morning; you have given honest and frank answers as usual, and you have provided us with a great deal of data.

The $475 million supplemental will be of great interest to David Stockman, and we will be sure to share some of that with him and support him in his effort to make sure that he can weave the supplemental appropriation through the House and Senate.

The turbulence in transition that you are going to face with the cutback of these programs will be difficult, and we hope to help you through it.

We also are very concerned about the potential for a new GI bill and the impact of that on some of the services that the Veterans' Administration provides.

You have been a very strong witness this morning, and we really appreciate your participation. It is going to be a challenging couple of years.

Miss STARBUCK. Yes, it is, Mr. Chairman. And thank you very much.

Mr. EDGAR. I would like to ask the four remaining witnesses to come and sit as a panel, each sharing their statement, and then we will move to questioning.

Mr. Donald Schwab, director, National Legislative Service, VFW; Ronald W. Drach, National Employment Director, Disabled American Veterans; Mr. Max Beilke, legislative counsel, the National Association for Uniformed Services; and Mr. Richard W. Johnson, Jr., assistant director for legislation, Noncommissioned Officers Association of the USA.

Thank you for coming this morning. We apologize for the delay in having you speak, but we appreciate your statements. We also appreciate the fact that all of your statements are here in advance.

We will begin with Donald Schwab, the National Legislative Service Director for the VFW.

Mr. Schwab, we are pleased to have you here this morning, as usual, and we anticipate hearing your comments on the kinds of issues that were raised this morning as well as your prepared statement.

All of your prepared statements will be made a part of the record. If you would help us by summarizing, if possible, and providing us an opportunity to get to some questions, we would appreciate it.

STATEMENTS OF DONALD H. SCHWAB, DIRECTOR, NATIONAL LEGISLATIVE SERVICE, VETERANS OF FOREIGN WARS OF THE UNITED STATES; RONALD W. DRACH, NATIONAL EMPLOYMENT DIRECTOR, DISABLED AMERICAN VETERANS; MAX J. BEILKE, LEGISLATIVE COUNSEL, THE NATIONAL ASSOCIATION FOR UNIFORMED SERVICES; AND RICHARD W. JOHNSON, JR., ASSISTANT DIRECTOR FOR LEGISLATION, NONCOMMISSIONED OFFICERS ASSOCIATION OF THE USA

STATEMENT OF DONALD H. SCHWAB

Mr. SCHWAB. Thank you, Mr. Chairman, for the opportunity to appear before this subcommittee.

We are very concerned with the personnel reductions in the Department of Veterans' Benefits. For the remainder of fiscal year 1981 and 1982, the Department of Veterans' Benefits is going to lose 2,251 personnel. The ramifications of these personnel reductions will be far-reaching, and unless Congress moves to restore adequate funding and adequate personnel, we see quite a deterioration in service.

Cutting out 55 VA regional offices is going to really be bad. This will greatly restrict the ability of veterans and their survivors to file claims, to be properly represented, and impede the processing of the claims and the disbursement of benefits.

The 55 regional offices is where the veterans go and make contact with the VA and with the representative of the veterans' organization who will represent them in their appeals.

It is where their appeals are originally adjudicated. While many veterans are able to travel to a regional office within their State, very few, by comparison, will be able to travel halfway across the country for the same purpose.

We have seen this demonstrated at the Discharge Review Boards before they had any Boards going out into the field. Fifty percent of the people said they would show for a personal appearance, but because they had to come to Washington, less than half of those who said they would appear actually appeared. It makes quite a difference in the representation of the case.

The GI bill brought out here this morning that the Carter administration had intended to extend the program for 2 years for certain disadvantaged veterans. That extension has been cut out by the Reagan administration revision to the budget.

The VFW position, by current resolution, is that we would remove the delimiting date entirely under the GI bill and increase the entitlement from 45 to 48 months to make it comparable to prior GI bills.

It has also been brought out that flight and correspondence training are to be eliminated. This was proposed by both the Carter and Reagan administrations. Our big concern is that perhaps some Vietnam veterans who are housebound, so disabled that they are housebound, would really be hurt by complete discontinuance of correspondence training.

With respect to the VEAP program, obviously it has not been a success. It was supposed to be a recruiting tool. It has not done the job. We have no position on this VEAP program at this time. We are supporting legislation currently in Congress to enhance an active duty educational program. It is H.R. 1400, the primary bill in the House, as you know.

The vocational rehabilitation program, under Public Law 96-466, was greatly enhanced and expanded. And again we are in the position where Congress passed the legislation and now the funding is not going to be available, the $4 million necessary. This is repeated over and over again. The same thing happened with the Public Law 96-22, the Vietnam veterans' drug, alcohol abuse program. That was supposed to cost $36 million. The Veterans' Affairs Committee asked for $25 million. It was originally funded at $12.5 million.

So I just do not know. The budget cuts are going to eat into everything. It is just a sad story this year.

The only bill under consideration, of course, is Mr. Daschle's bill, H.R. 2391, which would establish a vocational training program for veterans of the Vietnam era. The VFW would certainly support this with the proviso that the full funding is there, that the funding for it is not taken from other programs as has happened in the past and in accordance with one of our resolutions.

I have got to reiterate that the personnel cuts and the funding cuts within the VA are going to raise havoc, and the VA is going to lose 9,000 personnel for the balance of this year and 1982; 2,200 are coming out of the Department of Veterans Benefits and 7,000 are coming out of the Department of Medicine and Surgery. Of those, 6,400 are going to be out of medical care.

The budget is being cut by $1.1 billion for the remainder of 1981 and 1982. Quite frankly, we are very disenchanted. We do not hold the position that some money cannot be cut. There is in fact waste and fraud that can be done away with, but beyond that the VA has suffered over the last several years with inadequate personnel and inadequate funding. Unless this subcommittee and the full committee can persuade Congress to restore a good amount of this funding, many programs are going to be curtailed.

Mr. EDGAR. Thank you very much for your statement.

[The prepared statement of Mr. Schwab appears on p. 41.]

Mr. EDGAR. Ronald Drach?

STATEMENT OF RONALD W. DRACH

Mr. DRACH. Thank you, Mr. Chairman, Mrs. Heckler.

Originally, Mr. Chairman, I intended to restrict my comments to chapter 31, but based on the dialog his morning, I find it very difficult to maintain silence on some of the other issues. I will address those very briefly at the end of my statement, and I will summarize.

On behalf of the DAV I appreciate being here today. Since I am going to talk mostly on vocational rehabilitation, I would like to start out with a quote from the Republican platform that was adopted by the Republican National Convention.

We further advocate continued and expanded health care for our Vietnam veterans and consider it vital for the Veterans Administration to continue its programs with the rehabilitation of the disabled as well as its job training efforts.

To go to the end of my statement, first, perhaps, what is going to happen to the vocational rehabilitation program in our opinion is completely contrary to the Republican platform. The vocational rehabilitation program is doomed to die with these budget cuts.

I am going to skip over the majority of my prepared statement.

As the VFW, we too are concerned about the budgetary process for the fiscal years 1981 and 1982 as we now see it.

They have made no bones about it in the budgetary documents. It says "to eliminate vocational rehabilitation initiatives." It does not say to curtail them or reduce them. It says to eliminate them. And they are talking about the recent law, obviously.

They are going to do this by reducing the budget authority by $1.3 million and full-time personnel by 55 persons the remainder of this fiscal year.

Additionally, they want to reduce by $2.7 million and 115 additional full-time personnel next year. It is a total reduction of $4 million and 220 personnel.

Now in all due respect to Dorothy, there is no way that they are going to effectively administer the old vocational rehabilitation program with those kind of cuts, let alone the new initiatives. The program will literally die as far as we are concerned.

I have been somewhat of an unofficial, informal student of the State vocational rehabilitation program over the number of years. What Dorothy said is the same thing that the States have been doing for years. They are focusing in on the severely disabled because of budgetary restraints. Those who may physically be lesser disabled still have very severe employment handicaps. So some very subjective decisions are going to have to be made as to who is really severely disabled. You cannot judge that solely on the basis of a physical handicap.

We find it incredible that at a time when the administration is proposing to strengthen the national defenses, by comparison, we appear to be willing to spend virtually nothing for the rehabilitation of those who served honorably in the past wars and conflicts and were wounded, injured, or otherwise disabled.

Public sentiments support an effective vocational rehabilitation program for disabled veterans.

The Harris survey that was released in July of 1980, if I may, I would like to just offer a few quotes.

A two-thirds majority of the public feels that the Federal Government should do more to help the OVEV

I would like to add something here. I think in terms of vocational rehabilitation we are talking primarily about Vietnam veterans. There are not that many World War II or Korean veterans that will be taking advantage of it.

Support ranges from nearly 100 percent for disability programs. It is noteworthy in an era of public service cutbacks and budget retrenchments that almost no one in the public or among the employer or educator samples feel that the Federal Government should do less to help the Vietnam era veterans. The degree of program support tends to be greatest for those that deal directly with the service-connected problems. For instance, the vocational rehabilitation of disabled veterans. The most favored VA programs are financial support for disabled veterans, 98 percent, and vocational rehabilitation of disabled veterans.

Ninety-eight percent of the public surveyed support vocational rehabilitation.

We find it ironic that an administration which prides itself on an overwhelming victory in the November 1980 election, based on a public mandate for change, including renewed fiscal restraint, proposes to virtually eliminate this program despite the evidence that a full 98 percent of the public surveyed supports vocational rehabilitation for disabled veterans.

On H.R. 2391, Mr. Chairman, I regret to say that we have no official position on this at the present time. We do have that bill under study.

Mr. DRACH. I would like to just digress momentarily if I may from the issues of vocational rehabilitation and talk just very briefly about centralization.

I find this kind of ironic, too, that the current administration in many, many areas of Federal programs are talking about decentralization, and block grants to the States to run their own things, and so forth and so on, and yet they are talking about a centralization of VA programs and benefits.

To follow up on perhaps Mrs. Heckler's question about the impact, certainly the paper processing may or may not be benefited by this. That remains to be seen. In terms of the adjudication of claims, and many of those would be service-connected disability claims, we believe that this centralization would be tantamount to denying due process to the veteran because it would be virtually impossible to appear as they do now to local hearings to present their case so to speak.

And, last, on the psychological readjustment—I am sorry the gentleman from Oregon had to leave. I, too, am a combat, disabled Vietnam veteran. I spent 10½ months in Vietnam prior to being wounded. He wants to know how long we are going to take care of these people—well again I would like to, if I may, and I borrow it from the rhetoric of the current administration. In a pre-election speech to a major veterans organization, then candidate Reagan in talking primarily about national defense and our current military staffing, I quote:

In short, your country must provide these persons and their families with a quality of life that is equivalent to the sacrifices they make on our behalf.

I have to ask this subcommittee, do we owe less to our disabled and other Vietnam veterans who served honorably at a time of national conflict?

I would like to have asked the gentleman from Oregon what he might have said to an 18-year-old—let me back up; I am getting a

little emotional. I, too, was old by comparison. I was 21. I am not sure how old the gentleman from Oregon was at the time he was in Vietnam, but I would like to have asked him what did he, or what would he have said to an 18-year-old kid, with his guts laying in a rice paddy, when he asked for his mother? And you try to tell him that his mother is 10,000 miles away.

Thank you, Mr. Chairman.

Mr. EDGAR. Thank you for your statement. It is very helpful.

Mr. EDGAR. Next we will hear from Mr. Max Beilke.

STATEMENT OF MAX J. BEILKE

Mr. BEILKE. Thank you, Mr. Chairman. It is a pleasure to be here this morning.

By design, I am restricting my remarks to the delimiting date on chapter 34.

The serious shortage of highly qualified NCO's and CPO's has received considerable attention in the last 12 to 18 months. One of the reasons that these individuals are leaving the service is to take advantage of their education benefits.

We have all heard about the retention disincentive caused by the delimiting date. We have heard it from Congress, the military services, organizations and individuals. We have read it in the newspapers, testimonies, and reports.

NCO's and CPO's today, this very day, are struggling with the decision to get in, to stay in, or to get out. Many will stay if Congress removes the 1989 delimiting date. Each day of delay cause our military services to lose good soldiers, sailors, and airmen.

In conclusion, I urge this committee to take swift action in removing the delimiting date, and that this problem will not be a problem repeated in any future GI bill that is passed by Congress.

As I reflect on the serious shortage of the NCO's that we now have, I reflect back to the TV program, "Rumor of War," which you probably saw. In there they depicted a situation that is very real and will come back if we ever have another conflict to where we send a young lieutenant with no experience and a platoon of young men with no experience. The only experienced individual there was an NCO from Korea and he held that platoon together for a long period of time. I would hate to see that repeated.

Thank you, Mr. Chairman.

Mr. EDGAR. Thank you for your statement.

[The prepared statement of Mr. Beilke appears on p. 44.]

Mr. EDGAR. Mr. Johnson?

STATEMENT OF RICHARD W. JOHNSON, JR.

Mr. JOHNSON. Thank you, Mr. Chairman.

As a matter of introduction, the national commandant of the Marine Corps League has endorsed the statement that I have presented here this morning for the record, and has asked that his organization be associated with my remarks.

I am going to limit my comments this morning to two areas. One is the 1989 delimiting date; the other is correspondence training.

Mr. Beilke has addressed the problem very well and he summarized it very well.

I represent a very unique membership. We are teetering on the edge of about 250,000 people. We go from 1 week to having them to the next week of being 300 or 400 shy and then the next we have got 300 or 400 over.

Eighty-three percent of the membership of NCOA is on active duty in the Armed Forces and they are stationed worldwide. Our membership is unique in that under the law they are all veterans for the most part. I may have one or two people that do not have 180 days' service, but I do not think so. I do not think it would be a significant percentage.

Each of them is eligible for veteran's benefits as they have been defined. More than half of my members are Vietnam-era veterans, having served in Vietnam or during that period of time.

These are individuals that are entitled to education under chapter 34 of the code—the Vietnam-era veterans education program. Yet because they continue in the Armed Forces they are going to be denied the privilege of that education or they are going to be denied a military career if they decide that they need or want the education more.

We believe this is an unfair burden to place on the members of the Armed Forces. These young men and women are out there to serve and they desire nothing more than to serve, but they desire to be treated equitably in that service. Therefore, we would strongly support legislation—we recommend it in our prepared statement, H.R. 815—which would provide 6 years. We strongly recommend some legislation—in this time and environment it is needed—to extend the 1989 delimiting date.

The second area, correspondence training, relates directly to the unique nature of the membership of the Non-Commissioned Officers Association. We have a number of people in service who are training, using their GI bill for correspondence training.

As I have said in my prepared statement, we have 429,000 people stationed in foreign countries. We have another 210,000 aboard ships of the fleet.

For these individuals, for the most, the only realistic form of training is correspondence training. According to testimony received by this committee last week, there are 800,000 members of the Armed Forces today enrolled in correspondence courses. Correspondence courses are traditionally less expensive than institutional training.

I think that morale and retention will be very seriously affected if this committee passes the VA proposal to end correspondence training. Therefore, we impose again on the committee to hold on to correspondence training at least for another few years.

That concludes my statement, Mr. Chairman. Thank you.

[The prepared statement of Mr. Johnson appears on p. 46.]

Mr. EDGAR. Thank you all for your very good statements.

Mr. Johnson and Mr. Schwab, I believe at least one of you may have been present last week when our committee met to review its budget. You both have indicated your interest in correspondence courses. I am sure you are aware that a fairly overwhelming vote, over my objections, failed to restore the correspondence training

and some of the other programs that were laid out as cuts by our chairman. I think in light of that vote there is probably little or no chance that correspondence training will be part of the future veterans' benefits.

I do not see any action taking place on the floor given the fragile nature and the understanding of that program. I think that because our committee chose to go the route it did last week, it occurs to me that that area is pretty much out of the question.

Would you disagree with that assessment of what we were doing last week?

Mr. SCHWAB. Well, we really have not had many complaints from Vietnam veterans about correspondence courses, other than those, as I stated earlier, Vietnam veterans who are so severely disabled as to be housebound.

The bulk of the pressure and complaints that we have had have been from the institutions that will lose this income.

Mr. EDGAR. But your assessment would be that the benefit is probably lost given the action of this committee last week.

Mr. SCHWAB. I would say this would be the first benefit to go under the present budgetary constraints, yes, sir.

Mr. EDGAR. Mr. Schwab, on page 2 of your testimony you state:

> The Reagan budget contemplates reducing the Veterans' Administration's current 58 regional offices to 3. In fact, the President's budget amendments would reduce the 58 to 1 central location.

If this should happen, what would be the impact on the VFW's service officer corps in each regional office?

Mr. SCHWAB. Sir, we are still evaluating that, what we would do, and where we would place them and how they would serve our veterans. It is a huge problem and it is going to result in less service to the veteran population. That is all there is to it.

We have over 100 service officers across the United States and the bulk of them are in the VA regional offices in the various States.

Mr. Chairman, if you would excuse me, you know, this budget flies in the face of what the President told our national VFW convention last August, and as has been pointed out here, the Republican Party platform.

We have a meeting with Mr. Meese this morning to go over the budget, and the conflict and statements, and if you would excuse me I would like to leave at this time for that purpose.

Mr. EDGAR. Without objection you are excused. Give him our best and tell him our prayers are with the President this morning.

Mr. SCHWAB. Thank you.

Mrs. HECKLER. Mr. Chairman, I would just hope that Mr. Schwab would emphasize the significance of the medical cuts.

Mr. SCHWAB. Mrs. Heckler, we agree with you. It is the beginning of the end of the VA hospital system.

Mrs. HECKLER. Yes, it really is.

Mr. EDGAR. Thank you, sir.

One of the statements I have been making over the weekend is that of the $50 billion of cuts, there are a lot of bulldozers, and one of the things that is tough to decide is what bulldozers to throw yourself in front of. Mrs. Heckler is reminding you of the medical

bulldozer—there are a couple other bulldozers out there that have a great impact, particularly on our region of the country.

Mrs. HECKLER. Mr. Schwab, I would just like to say we also send our best wishes to the President. In fact, we respect him very highly and at this moment are praying for his recovery. Tell Mr. Meese that our hearts are with him.

Mr. SCHWAB. Yes.

Mr. EDGAR. Mr. Drach, I have a great deal of respect for your earlier statement, your honesty and your emotional commitment to your statement which I found very helpful. Obviously you are frustrated with Dorothy Starbuck's comment about very little impact the administration's cuts could have on disabled veterans.

I would make a suggestion that you try to get an appointment with my colleague from Oregon, Mr. Smith. I think it would be very helpful if you would sit down and communicate your views to him. As with everything, when you have an eyewitness account or an eyewitness experience like service in Vietnam, two of three or four different individuals can come back with a different impact, different experience, different colleagues that they have met, different understanding of the impact of that war.

In light of the report that was released last week on the great impact on the Vietnam-era veterans, I think it would be helpful if persons like yourself would communicate with members of this committee who may hold a slightly different point of view.

Let me ask Mr. Beilke just one question. You support H.R. 1400. A veteran will be entitled to $250 for 3 years active duty service and an additional $300 for another 3 years, for a total of $550 beginning October 1, 1981. This will make the extension of the December 31, 1989, delimiting date, the ending date of the GI bill unnecessary.

Would you agree or disagree with that statement?

Mr. BEILKE. I think I would disagree because I am not positive that we have done away with that delimiting date. We also would run into another problem of a difference in educational benefits because it exceeds what the Vietnam veteran received from the VA.

Mr. EDGAR. Thank you. I yield to my colleague from Massachusetts.

Mr. JOHNSON. Can I address that, Mr. Chairman?

Mr. EDGAR. I yield to my colleague, Mr. Johnson.

Mr. JOHNSON. Thank you, sir.

The period of time that an individual has to serve now, assuming passage of a new GI bill this year, any individual enlisting or reenlisting now would have to serve 3 to 6 years additionally to be entitled to benefits under the new program.

For those individuals who are now retired or nearing retirement, they are frequently governed by longevity of service dates. So an individual who is now approaching 18 years may not be allowed to serve an additional 6 years to earn entitlement under a new GI bill which we create.

Mr. EDGAR. Thank you.

I yield to my college from Massachusetts.

Mrs. HECKLER. I would like to say to all the witnesses that I appreciate your statements and very valid comments.

For Mr. Johnson, I would like to raise the question of the retention of the noncommissioned officer which is a major concern of everyone who has supported the All-Volunteer Force, and certainly one of the most distressing weaknesses of our military today.

Of course, we are proposing H.R. 1400—with whatever modifications the subcommittee might make—as one of the means of counteracting this loss of personnel, very valuable personnel.

One of the other reasons we are losing the NCO is that they are lured into private industry by much greater compensation. No matter what we do in terms of a GI bill, this is not going to deal with the very attractive outside offers that the NCO receives from private industry. Could you comment on that?

Mr. JOHNSON. Mrs. Heckler, I think that is only part of the problem. I think that certainly there are attractive offers from outside industry, certainly the technicians are being drawn outside; those with very, very employable skills are being lost. Those individuals that are skilled in one of the technologies are not our only losses, we are losing the boatswain rates, we are losing the drill rates, we are losing the people that we count on just to go out there and be good platoon leaders and good platoon sergeants. These individuals are not as easily employable on the outside.

Several factors lead to this: A general dissatisfaction with lack of discipline in the Armed Forces; pay compression and pay depression; the loss of buying power that the military members face since 1972; and an uncertainty about what benefits he or she will have upon retirement, something that has been discussed no fewer than 7 or 8 years now.

Annually we have talked about changing the retirement program as it affects the service member. All these things weigh in that kind of a decision.

Now with regard to H.R. 1400, I think H.R. 1400 is going to be a fine recruiting tool for the Armed Forces. But I do not believe H.R. 1400 is going to do really one iota of good in the area of retention that we are looking at. We are talking about retention in the second and third term reenlistment time frame.

People that are in that second and third term reenlistment time frame are looking at a number of things. They are looking at the amount of money they are getting paid. They are looking at how far they have to go before retirement. They are looking at what is going to be there when they get to retirement. They are looking at what kind of bonus is going to be offered to them for reenlisting in the Armed Forces, and they are considering their overall chances of achieving retirement.

Education benefits, even the transferability that has been proposed, is going to weigh very, very small in that equation as a service member works it out.

So in our estimation, H.R. 1400 is going to be a fine recruiting tool and a very necessary one I might add—necessary for the veteran as much as it is for the serviceman. We do not believe that it is going to be the retention tool that many people have assumed it will be.

Mrs. HECKLER. The dissatisfaction with discipline in the military today has been mentioned to me many, many times. This is an

area in which the military can make a difference by their own leadership.

Do you see that happening?

Mr. JOHNSON. I see a number of things happening in the Department of Defense today. I think that there is a changing trend of thought. I think that we are seeing discipline coming full circle. We are seeing people lose individual identity in the Department of Defense, and I think that is good insofar as what we have extended to the service member in the past few years.

We are seeing more considerations being a little more severe. We are seeing punishments imposed as being a little more severe. We are seeing something of a change in the discharge system, to make it just a little tighter. We are seeing something of a change in the discharge system to deprive people of the opportunity they had to volunteer out of the services.

One of the obvious demonstrations of change was mentioned in the Washington Post last Friday when they ordered all military personnel in the Washington back into uniform and out of civilian clothes. I think that that is just the first step toward restoring some pride and some discipline in the armed services.

Mrs. HECKLER. The second major problem that you mentioned was the uncertainty of retirement benefits. That is a problem that is squarely in the lap of the Congress. And I am talking about the retirement benefits of all, not just the military.

That would be a major factor in the retention question, would it not?

Mr. JOHNSON. It is probably the major factor in retention beyond the 10th and 12th year of service. An individual who is at 10 and 12 years of service wants to know what he is going to be making when he leaves that job. And he knows that he is going to leave that job at an age where employment is going to be relatively hard to come by and it is not going to be lucrative, whatever it is.

So he wants to make sure and she wants to make sure that whatever he or she gets at that point is worth having.

Mrs. HECKLER. Thank you.

Mr. EDGAR. Thank you very much for your testimony this morning. We did keep almost within the 10:30 time frame. And we appreciate your taking the time to come and testify.

This committee will stand adjourned until 10 o'clock on Monday morning in Norfolk, Va., where we will be dealing with the issue of H.R. 1400.

[Whereupon, at 10:34 a.m. the hearing was adjourned, subject to the call of the chairman.]

APPENDIX

STATEMENT OF DOROTHY L. STARBUCK, CHIEF BENEFITS DIRECTOR, VETERANS' ADMINISTRATION

Mr. Chairman and members of the subcommittee: We appreciate the opportunity of appearing before you today to provide you with information on a variety of subjects including chapter 34 data; comments on chapter 32 legislation to be submitted to extend the Veterans' Educational Assistance Program; the status of chapter 31 changes brought about by Public Law 96-466; debt collection provisions contained in Public Law 96-466; processing delays that could result from budget personnel limitations and the Presidential hiring freeze; as well as our position on H.R. 2391.

CHAPTER 34 PROGRAM

As you know, we have experienced a general decrease in the number of GI Bill trainees as more and more veterans have come up against their delimiting dates. Most recently, in fiscal year 1980, there were slightly over 1.1 billion GI Bill trainees, down from the 1.3 million trainees we had in fiscal year 1979. We expect that the number of trainees will drop to 387,800 in fiscal year 1985.

For fiscal year 1980, the types of training in which GI Bill veterans participated were as follows: 76.4 percent attended institutions of higher learning, 2.5 percent took correspondence training, and 1.5 percent took flight training. In other areas, 7.3 percent of GI Bill veterans pursued OJT and apprenticeship training, while .7 percent engaged in farm cooperative training.

The total training costs for all education programs were $2.3 billion in fiscal year 1980, compared with $2.8 billion in fiscal year 1979. We project training costs of $2.3 billion in fiscal year 1981 decreasing to $1 billion in fiscal year 1985.

Mr. Chairman, you also wanted information and analysis of completion rates for the various types of training. Based on the 1979 National Survey of Veterans taken by the Census Bureau for the VA, we have certain completion rates available on education and training through December 1980. Additionally, the independent study which provides a detailed examination and analysis of the extent to which eligible veterans utilized entitlements and had successfully completed their programs or attained educational or vocational goals has been completed by Research Applications of Rockville, Maryland, and was forwarded by the VA to the Congress on March 20. I will highlight some of the findings:

The percentage of veterans trained has increased from 60 percent among peacetime post-Korean veterans to 72 percent among veterans who served during the Vietnam era only.

An average of 60 percent of these veterans completed training or reached an intermediate goal.

Ten percent of the Vietnam veterans used all their entitlement and 37.6 percent had, as of December 1980, used half or more of their entitlement.

56 percent of the veteran trainees attended classes on a full-time basis.

Almost 70 percent of the enlistees trained after military service, compared to 61.6 percent of the draftees.

Specific completion rates shown in the Survey are:

College level 62.5 percent; high school 50.3 percent; flight school 77.4 percent; other residence schools 63.7 percent; correspondence 62.7 percent; apprentice training 71.8 percent; on-the-job training 74.8 percent; and farm training 76 percent.

CHAPTER 32 PROGRAM

Mr. Chairman, you also asked for our views regarding the chapter 32 program for post-Vietnam era veterans (VEAP). Individuals entering military service on or after January 1, 1977, are eligible under this program. This is a contributory plan under which individuals may make monthly contributions from their military pay to help finance their own education. These allotments range from as little as $25 per month to $100 per month up to a maximum of $2,700. In addition, under recently enacted

Public Law 96-466, these individuals may also make lump sum contributions providing, of course, that total contributions stay within the $2,700 maximum.

Eligible individuals may begin using their benefits after completing their first obligated period of active duty or 6 years of active duty, whichever period is less, or after their discharge or release from service. The Veterans Administration matches the individual's contribution on a $2 for $1 basis. Thus, on the contributory basis alone, an individual may receive up to $8,100 in educational assistance ($2,700 from their own contributions matched by $5,400 by VA funds).

In addition to the individual's contributions, the Department of Defense may add to the individual's education account what has come to be known as the DoD "kicker." This kicker, which can be in varying amounts up to $12,000 when added to the individual's monthly contributions plus the VA matching funds, can provide an individual with as much as $20,100 in educational benefits. The DoD kickers are paid primarily to individuals with specialties and skills, in which there is a shortage of personnel, for reenlisting in the military.

Moreover, in the enactment last fall of the Department of Defense Authorization Act, 1981 (Pub. L. No. 96-342), the Congress provided that under certain circumstances the Department of Defense may pay the monthly VEAP contributions on behalf of an individual and, under certain circumstances, an individual eligible for VEAP benefits may transfer such entitlement to a dependent or dependents. Thus, there are many benefits available under this program.

In establishing this contributory program, the Congress specifically provided that it was to be a test program. It did so by requiring the President, if he determines that the program should be continued, to make such a recommendation to the Congress on or before June 1, 1981. The Congress also provided that, in the event the President makes such a recommendation, which would permit enrollments in the program beyond December 31, 1981, the House or the Senate could disapprove such a recommendation.

Although the time for the President to make this decision has not yet, of course, been reached, it should be emphasized that in the conference report on the Department of Defense Authorization Act, 1981, the conferees (House Report No. 96-1222, p. 100) recommended that "the current VEAP Program funded by the Veterans' Administration be extended to June 30, 1982, in order to provide sufficient time for the Department of Defense to test and evaluate the pilot program contained in the conference report." This recommendation has great merit since the second test program, enacted in the authorization law cited above, is undergoing testing and evaluation. Further, the President's revised budget, submitted to the Congress 3 weeks ago, reflects a similar recommendation for a 1-year extension. We anticipate sending a legislative proposal to the Congress in the near future to carry out this recommendation.

I believe at this point it would be appropriate for me to provide the most recent statistics on participation in the VEAP program. Through January of this year, a cumulative total of 321,159 individuals have elected to participate in the program and have had deductions made from their military pay. Of this total, 183,429 are currently having deductions made; 55,580 have suspended their allotments but are, of course, eligible in most cases to participate in the education benefits program based on their previous contributions; and there are 82,150 individuals who have, for various reasons, had their allotment terminated and have received refunds of their contributions.

Participation in VEAP has been increasing. In Calendar Year 1977, 42,934 VEAP accounts were established, with total contributions of $11.7 million. In Calendar Year 1980, 111,090 individuals joined the VEAP program, and contributed a total of $119.1 million. However, the number of participants who were paid refunds has also increased at an alarming rate: In Calendar Year 1977, 2 percent of the participants were paid refunds compared with 40 percent who were refunded money in 1980. Cumulative figures indicate that from 1977 through 1980, 25 percent of those who have ever participated have been paid refunds. In addition to the cumulative refund rate of 25 percent, it is also significant to note that an additional 17 percent of all active participants have terminated the allotment without requesting a refund. I should point out that this group of former participants could do one of several things. They could possibly resume allotments at some future date. They could withdraw their funds, or they could initiate the use of benefits. Taken together, allotments terminated for any reason make up 42 percent of the total ever active.

I would also like to say a few words about chapter 32 trainees. An increasing number of participants who entered the military after December 31, 1976, and who authorized payroll deductions at the outset of the chapter 32 program in 1977, completed their first enlistment (usually 3 years) during Calendar Year 1980. There

has been a progressive rise in the number of chapter 32 trainees throughout the past year with a substantial increase during the last quarter of the year.

CHANGES IN CHAPTER 31

Mr. Chairman, I would now like to turn to the steps which we have taken, are taking, and will take to implement amendments to the vocational rehabilitation program enacted in Pub. L. No. 96-466.

On October 30, 1980, we issued general instructions to effect pay adjustments of the 17 percent increase in subsistence allowance rates for all veterans in chapter 31 training on October 1. This was followed on November 7 by a comprehensive issue on all provisions of the new law with instructions to the field for implementing provisions effective October 1 and October 17. In addition to the rate increases, there were a number of specific payment changes on which action was taken. Procedures were established for payment of nonpay training in a Federal agency at the institutional rate rather than the prior on-job training rate. A subsequent issue in February 1981 established procedures for making postrehabilitation payment at the full-time subsistence allowance rate, rather than the rate at which training was completed. Finally, subsistence allowances for veterans incarcerated for a felony were discontinued.

The law makes very specific and liberal provisions for the extension of eligibility and entitlement of veterans who are participating in a vocational rehabilitation program on March 31. Therefore, on February 4, we issued comprehensive instructions to assure that appropriate action is taken to continue these veterans in their chapter 31 programs.

Mr. Chairman, the increases in the revolving fund loan limits has presented a problem in the way of implementation. The existing RFL (Revolving Fund Loan) benefit is modified to increase the maximum loan which may be authorized from $200 to an amount twice the monthly subsistence rate for a single veteran in institutional training (currently $564). However, the total appropriated amount available for loan was not increased, and special instructions had to be developed to assure equitable distribution of available funds.

Field stations have received detailed instructions which cover loan approval, documentation of need, loan amount, and repayment. New loan requests will no longer be approved until any outstanding RFL has been fully recouped. Due to budgetary constraints, we are requiring Central Office approval of any loan in excess of $200. Additionally, cash loans have been discontinued and all loans are now disbursed by check from Hines Data Processing Center. A request for a $1.25 million supplemental appropriation is pending, and we are also preparing a request for authority to transfer monies from the readjustment benefits appropriation to the RFL, as needed, so that we can more adequately carry out this provision of the law.

To facilitate action on provisions for staff development and research, a special unit has been established in the vocational Rehabilitation and Counseling Service at Central Office. While some activities have been affected by budgetary constraints, the unit has been active in assisting regional offices with plans for staff development directly related to performing assigned duties, and those which will become more significant as the new program comes into being.

In regard to the Veterans Advisory Committee, nominations have been made and a charter for the Committee is under development. However, a final action cannot be taken until a new Administrator is named.

This substantially completes my testimony on action which we have taken on provisions effective October 1 and October 17. I would now like to turn to what we are doing in relation to provisions which will become effective April 1. We have completed, and have in the process of distribution, issues dealing with chapter 31 eligibility and entitlement, initial and extended evaluation, Individualized Written Rehabilitation Plan, election of chapter 34 rates by veterans with remaining entitlement who are in chapter 31 programs, incarcerated veterans, authorization of supplies, work measurement modifications, and new provisions for payment of subsistence allowance to hospitalized veterans, and during extended evaluation.

I would like to touch briefly on some points which I believe are of concern to the Committee. There has been much discussion of criteria for entitlement to vocational rehabilitation under new provisions of the law. Eligibility for and entitlement to services are organized around two basic concepts. Effective April 1, employment handicap must be shown in each case as part of the determinations of basic entitlement. Employment handicap means an impairment of the veteran's ability to prepare for, obtain, and retain employment consistent with such veteran's aptitudes, and abilities. Instructions have been prepared to carry out the congressional intent that this determination be based upon the effects of the veteran's service-connected disability when considered in relation to other pertinent factors. Our instructions

also emphasize the critical nature of this determination, and the need for thorough analysis and documentation to assure equity and prevent error.

Serious employment handicap means a significant impairment of the veteran's ability to prepare for, obtain or retain employment. This determination is a key to extension beyond the 12 year period of eligibility and, in many cases, to authorization of more than 48 months of rehabilitation under chapter 31 alone. The criteria being developed for determination of serious employment handicap incorporate our findings as to subgroups of service-disabled veterans found to be experiencing the most difficulty in making a successful adjustment.

The individualization of services and their delivery on a timely basis are critical to the success of our rehabilitation efforts. The law reflects our concern in the provisions for development of an Individual Written Rehabilitation Plan. An issue has been prepared for VR&C field staff which provides guidelines in the development and implementation of the IWRP. All veterans in a program of extended evaluation will receive an IEEP (Individualized Extended Evaluation Plan). All veterans in a program of rehabilitation training will receive an IWRP. Employment assistance services for all chapter 31 veterans will be outlined in an IEAP (Individualized Employment Assistance Plan). Although the IEEP and IEAP are specialized versions of the IWRP, the development, content and implementation of these plans is essentially the same. The IWRP is designed to:

(1) Improve the planning and coordination of the VA's multifaceted rehabilitation services;

(2) Motivate the veteran and expand the veteran's involvement in the development and management of his or her rehabilitation program; and

(3) Improve the accountability of rehabilitation service delivery.

We believe this kind of individualized planning for veterans who are in need of services because of their service-connected disabilities will help us to better fulfill the real purpose of the program.

In regard to employment-related initiatives, we have been meeting with the Deputy Assistant Secretary of Labor for Veterans Employment to develop regulations and policies for promoting and enhancing employment opportunities for service-disabled veterans who have received vocational rehabilitation services under chapter 31 or in a similar program under the Rehabilitation Act of 1973. We are preparing detailed instructions for field staff in the area of development and follow through of the individualized employment assistance plan, direct outreach efforts to public and private employers, coordination with other agencies and programs involved in the placement process, and follow-up to ensure satisfactory adjustment in employment.

We are revising our work measurement and end product system to correspond with changes in the chapter 31 program and we will follow up in June 1981 with a comprehensive work measurement study to establish work rate standards for the reorganized end products.

Mr. Chairman, one area for future implementation is the pilot program of independent living for seriously disabled veterans for whom a vocational goal is not reasonably feasible. A maximum of 500 seriously disabled veterans may be enrolled in this program in each fiscal year with program planning to begin in fiscal year 1981 and actual implementation scheduled for fiscal year 1982 through fiscal year 1985. We are reassessing our capability to carry out the pilot program in the light of budgetary constraints. We do believe that implementation of this program can be accomplished through very close coordination with the Department of Medicine and Surgery and State rehabilitation agencies.

Mr. Chairman, I would now like to briefly discuss some of our plans for continuing implementation of our program.

Once all basic instructions are in place we will conduct an inservice training program to help assure uniform and equitable program administration. We believe the policies and procedures which have been developed to implement the chapter 31 amendments provide a solid basis for administration of the new program. We anticipate development and publication for comments of new regulations to implement Public Law No. 96-466 by September 1981.

EDUCATION LOAN PROGRAM

The education loan program, which began in 1975 with the enactment of Public Law No. 93-508, came about because of congressional concern that veterans residing in certain States where education was not heavily subsidized, or who chose to attend a private institution, were in fact unable to do so even with VA assistance since the cost of tuition exceeded the veterans' resources. Senate Report No. 93-907, which accompanied S. 2784, provided the following rationale for the VA education loan program:

> [F]or those veterans choosing to pursue a course of education leading to a standard college degree and attending certain higher cost institutions additional sums, even beyond the rate increases . . . will be required . . .

The loan program was designed to be a supplemental program, one that was meant to fill the gap between the veteran's available income and the cost of an education at the institution selected by the veteran.

Public Law No. 93-508 limited this loan to $600 in any one regular academic year. A loan fee of 3 percent was also deducted from the approved loan amount. The purpose was to provide a fund to insure against defaults. Any default was to be treated as an overpayment. To be eligible, a veteran or dependent had to be enrolled in an approved educational institution on at least a half-time basis, either in a course which led to a standard college degree or in a vocational course which required the equivalent of at least 6 months full-time training for completion. Probably the largest eligibility hurdle in this early program was the requirement that the applicant must have sought and been unable to obtain a loan under the Guaranteed Student Loan Program (GSLP).

On October 15, 1976, Public Law No. 94-502, The Veterans' Education and Employment Assistance Act of 1976, was enacted. This law increased the maximum loan for a regular academic year to $1,500 and increased the aggregate education loan amount to $292 multiplied by the number of months of remaining entitlement. Public Law No. 94-502 also required that the rate of interest charged be comparable to that imposed on loans under part B of Title IV of the Higher Education Act of 1965. This last provision caused the interest rate on VA education loans to drop from 8 percent to 7 percent. All these changes became effective on October 1, 1976. One reason for the substantial increase from $600 to $1,500 was to make the loan more attractive to the veteran population.

While Public Law No. 94-502 did increase the loan amount, it did not alter the lender refusal stipulation in the law. We believe it should be pointed out that the Guaranteed Student Loan Program in the Office of Education was intended to help high-risk students, unable to get loans from regular commercial lenders. Since VA applicants had to be turned down by GSLP, obviously this created an even higher-risk, self-selected group which needed extraordinary assistance under extraordinarily risky conditions, by design.

The VA Education Loan Program was next amended by Public Law No. 95-202, the GI Bill Improvement Act of 1977, and enacted on November 23, 1977. This law increased the maximum loan amount for any one regular academic year to $2,500; gave the Administrator authority to waive the requirement that noncollege degree students and vocational objective students must be enrolled in a program requiring 6 months or more to complete; and, in addition, did away with the requirement that VA loan applicants seek and be unable to obtain HEW-guaranteed loans before receiving a VA education loan.

Public Law No. 95-202 also provided for the use of remaining entitlement after delimiting date as eligibility for an education loan when certain conditions are met.

In February of 1978, the Veterans Administration conducted a survey of the education loan program. The results of this survey indicated that essentially there was no relationship between tuition levels and program participation. We found that two factors, other than tuition levels, contributed to high participation in the program.

These factors were the cost of living and economic conditions. In areas where the cost of living was relatively high, loan activity was also high, even in free tuition schools. Loan activity was also high in economically depressed areas, even in low tuition schools. We also found that there was an apparent lack of intent to repay the loan on the part of large numbers of veterans. The survey also predicted that the high default rate would rise.

Subsequent to that survey, we amended our loan processing guidelines to tighten approval standards. While this action temporarily reduced the average loan amount, it had no impact on the default rate. In March 1980, pursuant to authority contained in Public Law No. 95-476, we amended VA regulations to limit loans to those cases where tuition and fees are at least $700 for the school year. This action has not served to curtail the continued rise in the default rate.

We cannot continue to support a program in which money provided for education expenses is really being used to support a lifestyle and to pay for goods and services not even remotely connected to the pursuit of an education. If money loaned out is being improperly used for purposes not related to getting an education, it must be seriously questioned whether or not the program is a success.

Recently, Public Law No. 96-466, enacted on October 17, 1980, amended the loan program to make loans available to those pursuing flight training. These new loans are available only to those VA flight training students who are reimbursed at the

60 percent level. The veterans may be eligible for Veterans Administration education loans in amounts up to $2,500 per academic year.

As for education loan activity in fiscal year 1980, we disbursed 7,846 loans worth slightly under $6.7 million. This represents a decrease of 30 percent from loans disbursed in fiscal year 1979.

During the same period, 16,511 loans with a value of about $17.9 million matured—that is to say, they became due for repayment. Defaults experienced during the fiscal year numbered 13,122 and were valued at just over $14 million.

As of December 1980, the cumulative loan program reveals that 51,751 or 67 percent of the loans have matured with a value of $49.5 million. Out of this total, 34,708 loans are in default totaling $32.6 million, or 67.1 percent of the loans matured.

Our continued administrative collection actions for the loan program reveals that $2.04 million has been collected on loans in repayment status and $1.34 million has been collected on defaulted loans. This totals $3.38 million returned to the loan fund and is a combination of cash collections and deductions from other VA benefits paid to the borrower. Our total collections during fiscal year 1980 of $3.38 million is an increase of 98 percent over fiscal year 1979. The use of VA attorneys in the enforced collection of debts authorized by Public Law No. 96-466 should provide a greater increase in collections.

The agency recently submitted the annual report of defaulted loans by educational institutions to the Committees on Veterans' Affairs of both Houses of these Congress.

OVERPAYMENT—DEBT COLLECTION

Mr. Chairman, I would now like to turn to the subject of overpayments which you asked us to address. The provisions of Public Law No. 96-466 pertaining to debt collection were: (1) offset from current benefits beyond expiration of the statute of limitations; (2) use of VA District Counsels for enforced collection on accounts; (3) charging interest on delinquent accounts and those being collected by installment, and (4) reporting delinquent accounts to consumer reporting agencies (CRA's). We have always offset from current benefits without regard to the statute of limitations. However, because of a recent disagreement between the General Accounting Office and the Department of Justice as to the legality of this policy, it was deemed prudent to request legislation to remove any doubt. We are, therefore, continuing this policy under Public Law No. 96-466. An agreement was signed on October 17, 1980, between VA and the Department of Justice meeting the intent of the second provision. We are now using VA District Counsels for enforced collection on accounts $1,200 or less, which I will discuss in more detail later in my testimony.

Implementation of the final two provisions has been delayed pending expansion of our computer capacity. In effect, implementation necessitates the reactivation of all terminated accounts because the debtor must first be notified of our intent to charge interest and report to CRA's. This will triple the total number of accounts (education, compensation and pension overpayments, and loan guaranty defaults) in the active system, rendering the project impossible to handle on existing computer hardware at our St. Paul DPC. With the upcoming change in the St. Paul DPC operations, we anticipate the availability of computer capacity in 1982.

Since we plan to staff up to the personnel allowed for debt collection in our fiscal year 1982 budget, we anticipate no major adverse effect on our debt collection efforts.

At the end of January 1981, the dollar value of education receivables on hand showed a decrease of .5 percent from January 1980—from $403.2 million to $401.2 million. The January 31, 1981, balance of $401.2 million included $63.9 million on hand at the Department of Justice, while the January 31, 1980, balance included $57.8 million at Justice. In March 1978, our Centralized Accounts Receivable Section (CARS) began referring education receivables over $600 directly to the Department of Justice for enforced collection when VA administrative efforts were unsuccessful. These accounts however, remain under VA accountability. Prior to March 1978, these receivables were referred to the General Accounting Office (GAO) which assumed the accountability for the accounts transferred to them. Consequently, they were removed from the VA's books. Thus, in order to get a true comparative picture of the balance for which the VA has collection responsibility, we could deduct the balance on hand at Justice from the VA's balance. This gives us $345.4 million as of January 31, 1980, and $337.2 million as of January 31, 1981, a decrease of $8.2 million, or 2.4 percent.

Establishments for the first 4 months of fiscal year 1981 decreased by 17 percent from the first 4 months of fiscal year 1980, dropping from $88 million to $73 million. Total dispositions were down for the same period, dropping from $103.3 million to

$92.4 million, a 10.5 percent decrease. The decrease in dispositions is partially reflected in our referrals to Justice which are not included in our disposition figures since they remain on our books, and are yet uncollected.

When we add our referrals to Justice, we show disposition figures for fiscal year 1981 through January 31 of $74.2 million as compared to $79 million for fiscal year 1980 through January 31, a decrease of $4.8 million or 6.1 percent. The decrease in dispositions is also partially attributable to the fact that terminated accounts totaling $5.1 million were converted to active accounts for the purpose of conducting a test for cost effectiveness in collecting old uncollectable debts.

With regard to the agency collection program, our initial efforts consisted of a 1-year test to determine whether such a program could be cost-effective. The test proved that the agency can, with adequate resources, conduct a cost effective debt collection program. When preparing the fiscal year 1981 and fiscal year 1982 budget submissions, we anticipated a permanent but limited continuation of the program in fiscal year 1981 and an expanded program in fiscal year 1982. Congress further expanded the program providing funding for 300 positions for fiscal year 1981. Because of the great concern with the need to reduce Federal employment, the Veterans Administration was only allocated 120 of the positions, and under the one for two hiring freeze in effect at that time, we would have been permitted to fill only 60 of those positions. Accordingly, we requested an exemption from the freeze, which are approved by OMB on January 19, 1981, but was not received until the new freeze was instituted by President Reagan on the day of his inauguration. A second request for exemption from the freeze was approved on February 24, 1981, and we are currently in the process of completing hiring for these 120 vacancies.

In May 1980, anticipating obtaining resources mandated by Congress in the fiscal year 1981 HUD-Independent Appropriations Act, we took necessary action to divert all $600-$1,200 debt cases for referral to District Counsels. The creation of this workload was not foreseen when determining resources necessary for this program for either fiscal year 1981 or fiscal year 1982, nor was the Congress aware of the potential for such a workload at the time the determination was made as to the number of positions needed to conduct this program. We estimate there are presently in excess of 200,000 cases in the system which could, within our administration ability to do such referrals, be forwarded to the offices of the District Counsels within the next year. There are in addition to the normal monthly referrals which can be anticipated to range from 8,000 to 12,000 per month.

It appears that for the remainder of fiscal year 1981 we may have a total of 179 positions in our Regional and District Counsel offices devoted to a program anticipated, when it was fully implemented, to require twice that number. With staffing in fiscal year 1982 expected to increase to 318, agency wide, we will still have only the minimum staff determined necessary for nationwide expansion of the collection effort to include all cases up to $1,200 and all types of receivables.

Accordingly, if staffing levels are to be at 179 for 1981 and 318 in 1982, we must recognize that inroads on the workload will be short of what we would like. Referral of cases to District Counsels will be controlled to most effectively handle both new and older cases.

We have been asked to consider for 1982 the use of private collection agencies for routine collections. The General Accounting Office has published a report containing a conclusion that Federal agencies are not permitted to contract for collection of Government indebtedness without special legislation providing for such activity. With such legislation, all prelitigation on such debts could be contracted out, retaining litigation jurisdiction with the Government. In addition, use of IRS levy and set-off from tax refunds is being considered and would be an effective and relatively inexpensive means of collection. We believe that given our lack of resources and the extensive restructuring needed to our computerized referral system, the results of this effort were satisfactory. Thus far in this program we have been successful in resolving more than $2.2 million of the debts referred for collection. This includes $515,700 in cash; $1,107,300 in recoupments, corrections and other noncash recoveries, as well as repayment plans secured by promissory notes of $676,700. Computing all types of resolutions of debts referred to our offices for collection, it would appear that estimates as to our collections ($10 million in fiscal year 1981 and $24 million in fiscal year 1982) would have been attainable had the resources contemplated by Congress been made available for this effort.

In other developments, in April 1979, we entered into a contract with IRS to furnish addressed of veterans with overpayments. Through January 31, 1981, we referred a total of 306,664 accounts to IRS for address information. The accounts referred include compensation, pension and loan guaranty, as well as education. We are actively pursuing collection on those accounts for which the IRS has provided a good address. The problem with these cases, however, is that if the debtor refuses to

pay and a credit report is required to determine the course of further collection action, the Veterans Administration is precluded from going to a contractor for a credit report using the address provided by IRS. Nevertheless, we anticipate some increase in dispositions due to our IRS locator service. Legislation pending before Congress would correct this problem.

Education loan defaults are included in the total amounts we are speaking of here.

In March of 1979, we issued instructions to field stations requiring that no home loan guarantees be approved for veterans who have outstanding educational overpayments until such debts have been repaid, or until repayment arrangements satisfactory to the VA have been made. Results from this program have been highly satisfactory. For the period May 1979 through January 1981, cumulative cash collections under this new program totaled $9.7 million. Also, based upon established repayment plans and offsets due to reentrance into training, an additional $2.4 million in collections can be anticipated for the remainder of fiscal year 1981.

H.R. 2391

Mr. Chairman, you have asked for our views on H.R. 2391, a bill recently introduced by Representative Daschle. This measure would provide a one-shot, 2-year extension of the delimiting period for Vietnam era veterans to pursue programs of on-job training (other than apprenticeship) or programs of education with a vocational objective (other than flight training).

The 2-year period would commence to run October 1, 1981, or the first day of the third calendar month following the date of enactment, whichever is later. Educational assistance could be provided only if the veteran has been determined by a counselor at a readjustment counseling center, a VA medical facility, a State employment office, or a veterans' assistance office as being in need of such a program or course. Following completion of a program by a veteran, the VA would be called upon to provide necessary employment counseling.

We are opposed to any further extensions of the current 10-year delimiting period for these veterans since any extension would not be consonant with the readjustment intent of the current GI Bill program. We also believe that enactment of such an extension would lead to other recommendations for extensions. We can also foresee that this proposal could result in additional abuse of our educational programs since there are many vocational schools which use a variety of devices to enroll a large number of VA students, followed by heavy attrition as these students fail to complete the course.

Training unskilled veterans in vocational schools is not a guarantee of successful job placement even as to those who complete the course. Also, we believe there are other Federal programs available under which these individuals may be provided the education they need to obtain necessary job skills.

We note that the proposal also would result in an extension of correspondence training. The Administration has proposed legislation which would terminate the authority for pursuit of correspondence training effective July 1, 1981. Thus, we strongly oppose any new authority to pursue such training, since it does not lead to substantial employment and it has been found that many individuals have used this type of program primarily for recreational or avocational purposes.

EFFECTS OF BUDGET CUTS

Mr. Chairman, you asked for our views on the impact of budget cuts on claims processing timeliness.

As you may know, I have previously testified concerning possible restructuring of the Department of Veterans Benefits to accommodate the employment projected in the March revision of the 1982 budget.

The scheduled loss of approximately 1,879 Full-Time Equivalent (FTE) positions. Reductions in some program activities and possible regionalization of operations involving delivery of benefits are currently under consideration.

At this time, no firm plans have been made regarding regionalization of the adjudication, loan guaranty, and supporting service activities. Looking down the road, some form of regionalization would appear to be inevitable in view of the anticipated vastly improved "TARGET" capabilities, which would relieve us of reliance on reference to claims folders. There is no way that any positive action to effect regionalization can be taken this fiscal year. This leaves us with accommodating to the reduction in employment in both Central Office and in all Regional Offices.

The schedule reduction of adjudication personnel in the field by 620 FTE positions will have the obvious effect of increasing the workload for the remaining adjudica-

tion personnel. We have conducted a special review of our work processes and believe we can institute procedures which will permit us to provide benefit services at reasonable levels. As we move into this we will keep the Committee informed of plans, changes in procedures, and their impact on operations.

The scheduled reduction of Veterans Services Division personnel by 496 FTE positions causes some changes in emphasis. Specifically, such a reduction will affect VSD field elements that are currently concerned with compliance surveys, education visits, outreach activities, approval processing, EEOC programs and State approving agency reimbursement contract administration. Where adjustments must be made in activities which are legislatively mandated, we will consider the submission for rescission legislation. The areas of compliance surveys and outreach will be subject to close scrutiny on our part.

In the Vocational Rehabilitation and Counseling Service, we must reduce personnel to a level of 566 FTE positions going into Fiscal Year 1982. These reductions will impede full implementation of the Vocational Rehabilitation program enhancements mandated by the law, but our commitment is to administer the law to the maximum extent possible.

Certain decentralized counseling locations must be terminated to facilitate the consolidation of available VR&C manpower resources. Fee-basis guidance center funds for Fiscal Year 1981 and Fiscal Year 1982 will be distributed to provide for a continuation of counseling services in those areas where direct VA counseling services must be terminated.

Available resources, of necessity, will be targeted to provide services to the most severely disabled. Counseling services available by request from VR&C staff under other VA education programs will be provided only as feasible.

In summary, Mr. Chairman, I can only say that these reductions represent a real challenge for us. We are prepared to meet the challenge and while there will be displacement of personnel this fiscal year, we expect our program administration to continue at an acceptable level.

Our plans on regionalization are in the formative stage. Guidance furnished us indicated centralization, implying one location. We are planning on regionalization to three centers. No sites have been selected. We are working with the GSA on possible locations adequate to accommodate such an operation.

We have not progressed to the point of having costs of such regionalization computed and will not have final figures until sites are selected and staffing needs solidified.

Mr. Chairman, this concludes my statement. We will be pleased to respond to questions on our programs.

STATEMENT OF DONALD H. SCHWAB, DIRECTOR, NATIONAL LEGISLATIVE SERVICE, VETERANS OF FOREIGN WARS OF THE UNITED STATES

Mr. Chairman and members of the subcommittee: Thank you for the privilege of appearing before this distinguished Subcommittee to present the views of the Veterans of Foreign Wars of the United States.

My name is Donald H. Schwab and it is my privilege to serve the more than 1.9 million men and women of the Veterans of Foreign Wars as their National Legislative Director.

Mr. Chairman, the programs under consideration today are all administered by the Department of Veterans' Benefits of the Veterans Administration. This department, as others within the VA, has been under-funded and under-staffed the last several years and that which is in the offing does not auger well for the services to which our veterans are entitled by Congress.

In the fiscal year 1980, employment within the DVB was 16,914. The Carter Administration would have reduced that number in 1981 by 149 and in 1982 by another 444 to 16,351 for a total reduction of 593. Now, the revised Reagan Administration budget as of March 10, 1981 proposes even deeper cuts in the DVB of 377 in 1981 and an additional 1,874 in 1982 for a two year cut of 2,251 personnel or a total DVB strength of 14,521 or 1,800 less than the Carter Administration proposed. The ramifications of these personnel reductions will be far reaching and devastating unless Congress acts to restore adequate personnel levels. Information available to the V.F.W. indicates that the 58 VA Regional Offices will be consolidated into three for a savings of $46.4 million with all claims adjudicated in the Central Office. This will greatly restrict the ability of veterans and their survivors to file claims, be properly represented and impede the processing of claims and disbursements of benefits to which entitled. With this ominous background, let us examine the programs under consideration.

Mr. Chairman, approximately 60 percent of all Vietnam-era veterans have taken advantage of educational assistance under the provisions of Chapter 34, 38 USC and some 474,000 are presently availing themselves of this benefit. The Carter Administration contemplated extending by two years the ten year delimiting date for certain disadvantaged Vietnam veterans in fiscal year 1982 at an anticipated cost of $62.9 million. By current Resolution No. 757, the V.F.W. supports eliminating the delimiting date and extending benefits from 45 to 48 months. However, the revised Reagan Administration budget eliminates the previously proposed two year extension.

As you are aware, Mr. Chairman, both the Carter and Reagan budgets would eliminate correspondence and flight training for a savings of $32.2 million. The V.F.W. opposes curtailment or elimination of earned veteran benefits and privileges as enunciated in Resolution No. 697. It would, indeed, be insensitive to deny correspondence courses to those Vietnam veterans so severely disabled that they are house-bound.

The post Vietnam-era Veterans' Educational Assistance Program (VEAP) authorized by Chapter 32, 38 USC is a contributory one for members of the all volunteer force enlisting after December 31, 1976. Each dollar contributed by the member is matched by two by the Veterans Administration. Under the provisions of Public Law 96-466 active duty personnel may contribute not less than $25 per month nor more than $100 with a maximum limit of $2,700. Participation in the program, which was intended and heralded as a recruiting vehicle, has been disappointing with only some 17,000 participating at present. No new enrollments will be permitted after December 31, 1981 unless extended by law in which case full funding would be by the Department of Defense rather than the Veterans Administration. Notwithstanding, the Carter Administration proposed extending the termination date until December 31, 1982 at a cost to the VA, not DOD, of $30.5 million. The V.F.W. has no current position with respect to this program. We are, however, supporting a more comprehensive educational program for active duty personnel presently under consideration by Congress.

The Vocational Rehabilitation program authorized by Chapter 31, 38 USC for disabled veterans has been used by 841,000 since 1943 and there are presently more than 14,000 in the program. Public Law 96-466, the "Veterans Rehabilitation and Education Amendments of 1980" greatly expanded and enhanced the program. However, and unfortunately, once again we have a law on the books for which the necessary funding and personnel are to be denied. The revised Reagan Administration 1981 and 1982 budgets eliminate the new vocational rehabilitation initiatives by reducing the funding by $4 million and personnel by 170.

The apprenticeship and on-the-job training programs of the Veterans Administration are authorized by Chapter 34, 38 USC. Benefits are payable following approval of the training by the appropriate State Approving Agency. Apprenticeship programs are subject to standards published by the Secretary of Labor in 29 USC 50a. Although the OJT program has had the highest completion rate of all GI Bill trainees, 95 percent, use by Vietnam veterans has declined due, it is believed, to a lack of employer incentives. In general, the employer must indicate with reasonable certainty a job will be available upon completion of training. Wages paid the trainee at the start must be at least 50 percent of the wages paid for the target job. Such wages must be increased at regular intervals so that in the last month of training they are at least 85 percent of wages paid on the target job. Benefits payable by the VA under these programs are lower than those paid veterans pursuing undergraduate or graduate work because of wages paid by the employer. A single veteran in apprenticeship or OJT training receives from the VA $226 each of the first six months, $169 a month the second six months, $133 every month the third six months and $56 monthly the fourth and any succeeding six months; while those single full-time students in institutions of higher learning presently receive $342 per month throughout their 45 months of entitlement.

Mr. Chairman, our current Resolution No. 648 opposes funding cuts in either State Approving Agencies or the on-the-job training program. Unfortunately, the current Administration's 1981 budget would reduce funding for State Approving Agencies by $3.9 million and in 1982 by another $9.7 million which would require the VA to assume this responsibility in the face of severe personnel reductions previously outlined.

Mr. Chairman, employment of veterans within the agency in one area where the Veterans Administration has established an enviable record. Of their 234,800 employees, 86,170 (76,382 men and 9,788 women) or 36.6 percent enjoy veterans' preference; 42,531 or 18 percent are Vietnam veterans and 9,925 or 4 percent are disabled veterans holding Veterans Readjustment Appointments.

The Veterans Administration's involvement in employment programs for veterans is generally restricted to the vocational rehabilitation program, the apprenticeship and on-the-job training programs and coordination with the Department of Labor with respect to veterans employment programs under their jurisdiction.

Mr. Chairman, the single piece of legislation under consideration today is H.R. 2391, introduced by the Honorable Thomas A. Daschle, a member of this Subcommittee, to amend Chapter 34, 38 USC to establish a vocational training program for veterans of the Vietnam era. Such training would be available for a two year period commencing with the fiscal year 1982 or the third month following enactment of the legislation, whichever is later, if recommended by proper authority; namely, a counselor at a readjustment counseling center, a state employment office, a veterans assistance office or a Veterans Administration medical facility.

The V.F.W. certainly applauds the intent of the instant legislation, particularly since the unemployment rate for Vietnam veterans ages 25 to 29 is 11.1 percent while that for non-veterans in the same age group is 8.5 percent. Although we support passage of the bill, we do so only if full funding to carry out the provisions thereof can be assured. As a matter of fact, our Resolution No. 758, entitled "New Legislative Initiatives," mandates us to ". . . press the Congress of the United States to appropriately fund all new legislative intitatives rather than eliminate or reduce existing entitlements to provide funding therefore." The necessity for full funding assurance is paramount in view of pending budget and personnel cuts within the Veterans Administration which, if sustained, will eliminate or curtail benefits directly affecting Vietnam veterans.

Cited resolutions are appended and this concludes my testimony, Mr. Chairman. Thank you.

RESOLUTION NO. 757

VIETNAM-ERA G.I. BILL EDUCATIONAL BENEFITS

Whereas, our great organization recognized that each generation of veterans has needs different from those of earlier eras; and

Whereas, the Vietnam war took place during a period of vast changes stemming in part from the complexities of new technology that have created a highly industrial, urbanized society; and

Whereas, since the last increase in educational benefits in 1977, we have witnessed a double-digit inflation rate where the costs of education have exceeded the rate of inflation; and

Whereas, the returns from such programs have far exceeded the Federal investment therein; and

Whereas, many Vietnam veterans, for a number of reasons, have not had the opportunity to avail themselves of these benefits; now, therefore, be it

Resolved, by the 81st National Convention of the Veterans of Foreign Wars of the United States that we seek the passage of legislation to amend the Vietnam-Era Education and Training Act which would (1) extend entitlement thereunder from 45 to 48 months; (2) secure an increase in benefit levels at least comparable to the increase in the Consumer Price Index; and (3) remove the delimiting date on eligibility for such benefits.

Adopted by the 81st National Convention of the Veterans of Foreign Wars of the United States held in Chicago, Illinois, August 15-21, 1980.

RESOLUTION NO. 697

OPPOSE CURTAILMENT OR ELIMINATION OF EARNED VETERAN BENEFITS AND PRIVILEGES

Whereas, there is a growing trend toward reduction of the earned benefits and entitlements of veterans, their spouses, dependents and survivors which were explicitly promised or provided by law or regulation in recognition of the hardships and dangers of service life; and

Whereas, the erosion of the earned benefits and entitlements are detrimental to the morale of veterans, active, reserve and retired; and

Whereas, the continued erosion and reduction of earned benefits and entitlements will adversely affect maintaining an effective and efficient military force needed for the security of the United States; now, therefore, be it

Resolved, by the 81st National Convention of the Veterans of Foreign Wars of the United States, that we oppose all efforts by any individual, group, organization, government office, bureau or agency, or the United States Congress, to discriminate

against a veteran, discharged under honorable conditions, or to eliminate or curtail in any manner their earned benefits or privileges.

Adopted by the 81st National Convention of the Veterans of Foreign Wars of the United States held in Chicago, Illinois, August 15–21, 1980.

RESOLUTION No. 648

OPPOSE FUNDING CUTS OF STATE APPROVING AGENCIES AND ON-THE-JOB TRAINING

Whereas, the Veterans' Administration is supporting legislation which would cut state educational approving agency funding by over 50 percent; and

Whereas, that cut in funding represents a disproportionate share of the total budgetary cut of the Veterans' Administration; and

Whereas, the proposed bill would eliminate funding for State Approving Agencies for apprenticeship and on-the-job training, reversing the policy established by Congress over 35 years ago by eliminating state and local input and giving all approval powers to the Federal government; now, therefore, be it

Resolved, by the 81st National Convention of the Veterans of Foreign Wars of the United States, that our opposition to such a drastic and disproportionate cut be communicated by letter to the members of the House and Senate Committees on Veterans Affairs in Congress.

Adopted by the 81st National Convention of the Veterans of Foreign Wars of the United States held in Chicago, Illinois, August 15–21, 1980.

RESOLUTION No. 758

NEW LEGISLATIVE INITIATIVES

Whereas, during the current Congress there have been efforts made to reduce Federal spending and to balance the Federal budget; and

Whereas, at the same time, legislative initiatives have been advanced by the Congress that have provided much needed veterans' assistance programs; and

Whereas, the Veterans of Foreign Wars of the United States has historically opposed the reduction, elimination, or erosion of earned entitlements and benefits; and

Whereas, there is a demonstrated trend within the Congress to eliminate or reduce established veterans' benefit programs to provide the needed funds for newly enacted measures; now, therefore, be it

Resolved, by the 81st National Convention of the Veterans of Foreign Wars of the United States that we strongly press the Congress of the United States to appropriately fund all new legislative initiatives rather than eliminate or reduce existing entitlements to provide funding therefore.

Adopted by the 81st National Convention of the Veterans of Foreign Wars of the United States held in Chicago, Illinois, August 15–21, 1980.

STATEMENT OF MAX J. BEILKE, LEGISLATIVE COUNSEL, THE NATIONAL ASSOCIATION FOR UNIFORMED SERVICES

Mr. Chairman, and members of the subcommittee, I welcome the opportunity to present the views of the National Association for Uniformed Services to this distinguished panel.

The National Association for Uniformed Services (NAUS) is unique in that our membership represents all ranks of career and non-career service personnel and their wives and widows. Our membership includes active, retired, and reserve personnel of all seven uniformed services; Army, Navy, Air Force, Marines, Coast Guard, Public Health Service, and the National Oceanic and Atmospheric Administration. With such a membership, we are able to draw information from a broad base for our legislative activities.

The military services today are suffering a serious shortage of highly qualified and experienced NCO's and CPO's. They are leaving the military for various reasons, most of which can be corrected by Congress. Some of the reasons for getting out are low pay, family separations due to duty assignments, and the desire to go to school before losing educational benefits. This last reason is due to Section 1662 paragraph (e) Chapter 34, Title 38, USC, which states "No educational assistance shall be afforded any eligible veteran under this Chapter or Chapter 36 of this title after December 31, 1989."

This paragraph requires that mid-level NCO's and CPO's make a decision. They can either remain on active duty and forfeit their educational benefits, or they can get out of the service to take advantage of their educational benefits and forfeit

their military retirement. This is a tough decision for many to make because it is almost a no-win proposition.

The military person who entered service prior to January 1, 1977 must get out within the next four years or lose educational assistance benefits. This is unfair to the service member and to our country.

NAUS is not alone in believing that the 1980 delimiting date is unfair; so do many other organizations and individuals. Among these are Representative G. William Whitehurst, serving his seventh term, representing Virginia's 2nd District and Representative Duncan Hunter, serving his first term as Representative to California's 42nd District. It is interesting to note that Freshman Duncan Hunter feels so strongly about removing this delimiting date that the first bill he introduced after coming to Washington was a bill to remove it.

NAUS recommends that, as a minimum, a veteran be allowed five years from date of last discharge or release from active duty to take advantage of educational benefits. Ten years should be the maximum. NAUS would support legislation extending the time frame any number of years between five and ten.

In recent weeks this subcommittee has heard many hours of oral testimony and read hundreds of pages of written testimony concerning the establishment of a new GI Bill. From time to time, the retention incentive factor expected from a new GI Bill has been cited by many witnesses. The current delimiting date is serving as a disincentive. This was clearly pointed out by Rear Admiral Hogg, Director of U.S. Navy Military Personnel and Training Division, Office of the Chief of Naval Operations in his statement before the subcommittee on Manpower and Personnel of the Senate Armed Services Committee on Military Compensation, on March 18, 1980. Admiral Hogg's statement in part reads:

"With respect to educational benefits, the termination of the Vietnam era GI Bill benefits is serving as a disincentive to service for the career force. Because the benefits will terminate on December 31, 1989, service members who entered active duty after 1969 must leave active duty prior to twenty years of service in order to benefit. Forty-one percent of our third term personnel leaving the Navy at this time rank "To keep from losing my GI Bill Benefits" as one of the most important factors in their separation decision. The expiration date is not only costly to the Navy in terms of lost skill and experience of those who leave, but it unduly penalizes those who choose to serve their country. I consider the extension of the GI Bill benefits as an important prerequisite to improved career retention."

If removal of the delimiting date keeps half of that forty-one percent in the service, the action would have to be considered successful. The longer Congress delays, the greater number of qualified people will have left the military service simply to use their benefits. Congress must decide how much longer they want this exodus to continue. The number of vacancies in critical skills increases each day.

On March 17, 1980 this subcommittee heard the Coast Guard testify that the 1989 delimiting date was the biggest disincentive to a Coast Guard career.

The "Educational Incentives Study" published by the Office of Assistant Secretary of Defense (Manpower, Reserve Affairs and Logistics) on February 9, 1980 also addressed the 1989 delimiting date.

Chapter 2 of this study contains the remark:

"Since the inception of the All-Volunteer Force (AVF) ongoing and proposed Defense educational incentives have been evaluated against the following criteria:

1. . . . .
2. . . . .
3. . . . .
4. . . . .
5. The incentive should not require the recipient to leave the military in order to obtain the benefits, and it should be compatible with other recruitment or retention incentives."

One of the U.S. Air Force's Recommendations to this study was:

"(5) The current 1989 delimiting date on the use of GI Bill education entitlements should be extended to 10 years after retirement or separation, or 1989, whichever is later."

One of the U.S. Navy's Comments in the study was:

"Since all benefits under the GI Bill terminate in 1989, the year 1985 may be critical for the service. Personnel who enlisted prior to January 1, 1977 are not eligible for VEAP. Many career oriented personnel desiring to take advantage of the educational benefits of the GI Bill, who would not reach eligibility for retirement until after 1989, may be influenced by this and leave the service. The results of a survey taken of 1,314 enlisted personnel separating in 1979 showed that 'to keep from losing GI benefits' was among the top ten factors affecting career decision. One-third of those surveyed ranked this factor as 'extremely important.' Therefore,

the Navy strongly recommends that the 1989 termination date for the GI Bill be extended indefinitely to cover eligible career personnel who entered the service prior to 1977."

If this Congress is sincere in its efforts to make the All-Volunteer Force a success, removal of the 1989 delimiting date would be a positive step in that direction.

Correspondence training is an aspect that is of importance to our inservice veterans. Many are assigned to remote posts or aboard ships where correspondence training is the only method by which the inservice veteran can acquire education credits. These courses provide a valuable means of self-improvement for the individual. They also provide a valuable source of refresher review as preparation for future college attendance. Correspondence training is of value to the individual and the military service and therefore should not be discontinued.

At this time, I am prepared to answer any questions you may have.

STATEMENT OF RICHARD W. JOHNSON, JR., ASSISTANT DIRECTOR FOR LEGISLATION, NONCOMMISSIONED OFFICERS ASSOCIATION OF THE U.S.A.

Mr. Chairman. The Non Commissioned Officers Association of the U.S.A. (NCOA) is the fourth largest National Veterans Service Organization accredited by the Veterans Administration. It is also the largest professional military enlisted association. NCOA's more than 249,000 members are located world-wide. Most of them are Vietnam era veterans. I am Richard W. Johnson, Jr., assistant director for legislation for NCOA. On behalf of the Association, I extend gratitude to the Committee for allowing NCOA this opportunity to present its views on G.I. education and training programs.

G.I. BILL IMPROVEMENTS

The Non Commissioned Officers Association is appearing before the House Veterans Affairs Subcommittee on Education, Training and Employment to voice its concerns over some changes and improvements in existing veterans education programs. The changes are being considered as part of an annual review conducted by the committee to make improvements in the education programs provided to eligible service members and veterans. Three changes concern NCOA this year. They are the 1989 delimiting date on use of existing G.I. Bill benefits; the proposed elimination of correspondence training for all veterans and in-service personnel; and, a cost-of-living increase in the amount of educational assistance payments given to veterans.

DELIMITING DATE

Under current law, December 31, 1989 is prescribed as the absolute delimiting date for payment of educational assistance benefits to Vietnam era veterans. This limitation, while it may have seemed fair when it was passed in 1976, has placed a severe burden on career oriented members of the Armed Forces.

On January 1, 1980, a clock began running. Under this law, not one Vietnam era veteran who is in service today will have a full ten years to use his or her educational benefit after being discharged. The law in reality makes people choose between continued service or discharge to use earned education benefits. This leads to the more serious problem of experienced manpower shortages in the Armed Services.

The Subcommittee on Education and Training has been told in recent hearings by representatives of the Defense Department, Chiefs of Staff of the services and others how important education benefits are to members of the armed forces. In fact, the committee is considering the passage of legislation to implement a new G.I. Bill to help alleviate the service's manpower problems.

Much of the testimony provided this committee during those hearings centered around the shortage of experienced noncommissioned and petty officers in the career force. They are the mid-level managers necessary to maintaining a capable and professional force.

Last year Admiral Thomas B. Hayward, Chief of Naval Operations told Congress, "Distinct problems exist in the essential mid-level supervisor area because of a shortage of about 17,000 petty officers with 9 to 16 years of service." This year Admiral Hayward has noted that the shortage has risen to 22,000. The Navy lists the G.I. Bill delimiting date among the reasons for this shortage.

NCOA conceeds that it is not incumbent of the Veterans Affairs Committee to improve the military manpower situation. It is, however, the responsibility of the Veterans Affairs Committee to protect benefits promised to veterans.

The servicemember who joined the armed forces in 1969 and is still on active duty is just as much a veteran as the person who joined in 1969 and was discharged in 1971. In the eyes of the law, both became veterans after they had completed 180 days of active duty. All service members who serve for more than six months are veterans, notwithstanding their continued service.

Last year the Senate Veterans Affairs Committee attempted to extend the delimiting date. Regretably, their effort was not sustained. But, a remedy exists in H.R. 815, a bill by Congressman Duncan Hunter of California. It will not provide the full ten year delimiting period but it will ensure all veterans at least six years to use their educational assistance benefits.

Availability of post-service use of earned G.I. education benefits is not the only problem facing servicemembers. In-service use for correspondence courses is also in jeopardy if the committee adopts a VA proposal to discontinue this method of training.

CORRESPONDENCE TRAINING

During fiscal year 1980, 429,154 service members were stationed in foreign countries and another 210,780 were stationed aboard ships operating from ports at home and abroad. Few of these people have the opportunity to attend institutional training. Other members of the armed forces who are stationed within the United States may be precluded from attending structured classes by duty schedules or operational commitments. Yet, service men and women are still interested in improving their education.

According to Lee Hughes, Director of Education at the Marine Corps Institute, "Today there are over 800,000 U.S. military personnel enrolled in correspondence courses . . ." About 79,000 are training under the Vietnam era G.I. Bill. During the Vietnam era, nearly 20 percent of all G.I. Bill veterans elected correspondence training for various reasons.

The reasons may vary widely, but most are valid. For housebound and severely disabled veterans, correspondence training may be the only method feasible. The same goes for service members aboard ships, on remote stations and in some foreign countries. Still others may pursue correspondence courses as a method of training simply because they are uncomfortable in the youthful, institutional atmosphere.

Military and civilian government employees are encouraged to use correspondence courses to improve their professional abilities. At least one service, the Marine Corps, gives special promotion consideration to its members who complete correspondence courses. Moreover, most employers, including government, give some subjective employment and promotion consideration to individuals who seek personal or professional improvement through enrollment in correspondence training.

Among the primary reasons cited by the VA in its proposal to end correspondence training in high disenrollment. Yet, the VA has not tried to determine how many of those who fail to complete correspondence training later enroll in more traditional institutional training. Neither has the VA considered the possible increases in costs which may result from the elimination of correspondence training. Certainly, many veterans will seek resident training and then educational assistance payments will rise accordingly.

Home study through correspondence schools is a viable, productive, and relatively inexpensive method of training. Its benefits to in-service veterans and severely disabled veterans is incontestable and irreplaceable. Hopefully, the Veterans Affairs Committee will retain it as part of the G.I. Bill.

NOCA's last area of concern is with the adequacy of educational assistance payments.

COST-OF-LIVING INCREASE

Last year Congress provided a ten percent increase in educational assistance payments to veterans training under the G.I. Bill. It was the first increase since October 1977. Last year's action fell about 20 percent short of offsetting the actual increase in the cost of living since 1977. Overall, veteran students may still be 30 percent behind the 1977 benefit level by October 1, 1981.

The current administration has not proposed an increase in education benefits. Yet, in view of the great emphasis being placed on the need for veterans education programs it is only proper to provide reasonably for those who have served. The Vietnam era G.I. Bill is no longer a recruitment device for the armed forces. However, it still has impact on those who are serving or will serve under a new education program. If the needs of veterans training under the old G.I. Bill are neglected it will be an adverse signal to those who enlist and serve under a new program.

NCOA is not seeking an increase of 20 or 30 percent. Such an action would be unreasonable and unrealistic. There is just cause to provide a substantial increase but too many other programs in the VA are also in need of budget increases. Nevertheless, Congress should provide some increase to veteran students this year. Such an action will have substantial positive impact. Even if the raise is only five percent, it will reinforce the importance of service and this Nation's commitment to veterans.

Mr. Chairman and members of the subcommittee: It is my distinct pleasure, on behalf of the more than 686,000 members of the Disabled American Veterans, to appear before you today to provide you with our views and observations of the Veterans Administration Programs of Education, Training and Employment. It is my intent, Mr. Chairman, to restrict my testimony to the area of vocational rehabilitation for service-connected disabled veterans as provided for in Chapter 31, Title 39, U.S. Code.

Mr. Chairman, for many years the DAV has argued that the end result of vocational rehabilitation should be actual employment in occupations for which disabled veterans have been trained—not just "restoration of employability." We believe that the VA Administrator has had the administrative authority to issue regulations that would require the vocational rehabilitation and counseling staff to take a more active role and become more directly involved in follow-up assistance to assure placement in a job for which a beneficiary has been trained.

Current regulation (CFR 38, Section 21.270) states "The primary responsibility of the Veterans Administration in its vocational rehabilitation program is to restore employability . . . the best proof that employability has been restored is a showing that the veteran actually has been placed in suitable employment." The regulation further delineates specific steps the VA will take to assist the disabled veteran in obtaining suitable employment. Despite the current regulatory requirement, very little, if anything, is done to assure the veteran actually has been placed in suitable employment. In our opinion, for all too long it has been determined that a person is "rehabilitated" when that person has "graduated" from training.

Mr. Chairman, from March 24, 1943 to January 31, 1981, 842,403 disabled veterans have participated to some extent in the VA's vocational rehabilitation program. It is appalling, Mr. Chairman, that the VA cannot tell us of that 842,403 how many are actually employed, or have been employed, in jobs for which they were trained. In 38 years they have not kept any records on the success of this program. We recently learned, however, the VA does intend to start keeping such records in April of 1981; perhaps 38 years too late.

According to budget information availble in fiscal year 1980, it cost an average of $3,069 to maintain a disabled veteran in vocational rehabilitation. It is estimated for fiscal year 1981 that it will cost $3,629 and in fiscal year 1982 $3,988. This represents an 18.2 percent increase in fiscal year 1981 over fiscal year 1980 and a 9.8 percent increase in fiscal year 1982 over fiscal year 1981. Assuming no increase for fiscal year 1983, if you look at those costs on a cumulative basis approximately $14,674 will be spent for a four year college education for a beneficiary who entered training in 1980 and provide no follow-up services to assure that the person is placed in a job for which thousands of dollars have been expended. This can be avoided if adequate funding, staffing and training are provided.

We would like to emphasize, Mr. Chairman, that we definitely support vocational rehabilitation benefits and programs and certainly believe it is cost-effective, especially in view of the potential return to the Treasury in increased taxes paid by these benficiaries who do ultimately obtain suitable employment.

Another example of poor implementation and record keeping is a provision in CFR 5, Section 315.604 (copy attached). Mr. Chairman, this authority was implemented following World War II and continues today. It permits federal departments and agencies to appoint noncompetitively a disabled veteran who completes a course of training authorized by the VA under vocational rehabilitation. When queried about this several years ago, officials of the then Civil Service Commission (Office of Personnel Management) could not account for one placement under this authority from World War II through 1975. The program was then reauthorized in Public Law 94-502 and continues in existence today. Recent data from the VA reveals that since enactment of Public Law 94-502, October 15, 1976, a mere 598 disabled veterans have participated, and only 174 are currently employed with the federal government.

As we know, Mr. Chairman, Public Law 96-466 was enacted on October 17, 1980 following extensive study and recommendations on overhauling the vocational rehabilitation program of the 1940's to modernize it to reflect current trends and

developments in the labor force, as well as, vocational rehabilitation. Section 1500 and 1501 of this new legislation redefines the purpose of vocational rehabilitation and represents the first major overhaul in more than 30 years. We believe the current legislation was and is necessary to assure adequate employment and training opportunities for disabled veterans who participate in this program.

We are concerned, however, that the program may "die on the vine" without adequate resources and funding. The proposed Reagan Administration revised budget for fiscal year 1981 recommends the elimination of vocational rehabilitation initiatives by reducing the budget authority by $1.3 million and reducing full-time personnel by 55. The Reagan Administration is proposing to further eliminate the vocational rehabilitation initiatives in fiscal yar 1982 by a reduction of an additional $2.7 million and 115 full-time personnel. That is a total reduction of $4.0 million and 220 personnel. Not only will this eliminate any new initiatives, which are legislatively mandated, but will have the effect of deteriorating the program as we have known it.

Mr. Chairman, in an earlier inquiry to OMB Director David Stockman on the issue of the President's authority to implement a hiring freeze on Congressionally mandated positions, we received a response (copy attached) from OMB assuring us " . . . That the instructions on carrying out the freeze are not intended to supersede federal statutes." We believe, implicit in that statement, that the President does not desire to supersede federal statute in other areas. But by these proposed reductions and eliminations he will accomplish by administrative inaction that which may not be accomplished through legislative change which would be the appropriate vehicle the current Administation should use. We must question his authority to take these actions that have the potential of completely eliminating the new initiatives in Public Law 96-466, as well as, undermining the entire vocational rehabilitation program.

We would also like to point out, Mr. Chairman, that this impacts on a relatively small number of disabled veterans who have been determined to be most in need and are statutorily entitled to specific benefits and services under vocational rehabilitation. There are, as of the end of the month January 1981, 15,323 disabled veterans enrolled with an estimated 28,000 and 27,000 to be enrolled in fiscal years 1981 and 1982, respectively.

We find it incredible, Mr. Chairman, that at a time when the Administration is proposing to strengthen our national defenses (and the public is apparently willing to spend over $200 billion for a strong national defense), by comparison, we appear to be willing to spend virtually nothing for the rehabilitation of those who served honorably in past wars and conflicts and were wounded, injured or otherwise disabled in the performance of that honorable service.

Public sentiment supports an effective vocational rehabilitation program for these disabled veterans. A survey conducted for the Veterans Administration by Louis Harris & Associates, Inc. titled "Myths and Realities: A Study of Attitudes Toward Vietnam Era Veterans" released by the Veterans Administration in July of 1980 reveals the following (see pages 243-258):

1. A two-thirds majority of the public feels that the federal government should do more to help the VEV. [Vietnam Era veteran]. This support never falls below 50 percent in any identifiable subgroup of the general public.

2. Support ranges from nearly 100 percent for disability programs . . . The degree of support is highest for those programs that are most directly related to problems which the public views as service-connected.

3. It is noteworthy in an era of public service cutbacks and budget retrenchments that almost no one in the public (1 percent), or among the employer (4 percent), or educator (1 percent) samples feel that the federal government should do less to help the Vietnam Era veterans.

4. Over three-quarters (76 percent) of the Vietnam generation cohort—those now aged 25 to 34—feels the federal government should do more for VEVs.

5. Eight out of ten (81 percent) of anti-war activists feel this way.

6. The degree of program support tends to be greatest for those that deal directly with the service-connected problems of veterans—for instance, the vocational rehabilitation of disabled veterans.

7. The most favored [VA] programs are financial support for disabled veterans (98 percent) and vocational rehabilitation of disabled veterans (98 percent).

We find it ironic, Mr. Chairman, that an Administration which prides itself on an overwhelming victory in the November 1980 election, based on a public mandate for change, including renewed fiscal restraint, proposes to virtually eliminate this program, despite the evidence that a full 98 percent of the public surveyed by Harris & Associates supports vocational rehabilitation of disabled veterans.

Mr. Chairman, in order for the VA to be effective in any efforts to assure the attainment of employment as an end result of vocational rehabilitation we believe at lease two additional areas need to be addressed.

The Veterans Administration vocational rehabilitation and counseling staff, in our opinion, has done very little, if any, outside activity to visit employer worksites to assist the employer in any necessary modifications to that worksite. These modifications may take the form of specific individualized training or actual physical relocation or restructuring of job sites to accommodate physical disabilities that many disabled veterans may have. Without the necessary modifications, in all too many cases, the disabled veteran may unnecessarily and unintentionally be discriminated against because of an inaccessible work place. The VA needs to provide this service to employers, as well as, to provide extensive training to its vocational rehabilitation and counseling staff to assure their knowledge of current standards of accessibility and job modifications.

Concurrent with that we believe training needs to be accomplished for vocational rehabilitation and counseling staff to assure their knowledge of existing laws and regulations, specifically those dealing with affirmative action/anti-discrimination impacting on federal contractors. This would assist the VA in providing, not only a service to the employer as mentioned previously, but would also provide the vocational rehabilitation and counseling staff with the necessary knowledge to assure discrimination does not take place in the work force.

Mr. Chairman, in your letter of invitation to appear today you mentioned that H.R. 2391 introduced by Congressman Daschle would be discussed. The Disabled American Veterans has no official position on Mr. Daschle's proposal at this time.

Again, Mr. Chairman, thank you for the opportunity to appear before you today and if you have any questions, I will be happy to answer them.

THE AMERICAN LEGION,
Washington, D.C., April 3, 1981.

HON. BOB EDGAR,
Chairman, House Veterans' Affairs Subcommittee on Education, Training and Employment, Cannon House Office Building, Washington, D.C.

DEAR CHAIRMAN EDGAR: The enclosed statement is being submitted in lieu of personal testimony on veterans educational assistance oversight. You will note that the statement also registers general support for H.R. 2391. We request that the enclosed material be made part of the record of your Subcommittee's hearing on March 31, 1981.

Mr. Chairman, our failure to present testimony on these matters was the result of rather strained staff resources at the time in conjunction with a simultaneous hearing by one of your sister subcommittees which was examining SBA assistance to veterans.

Your attention to and compliance with our request is appreciated.

Sincerely,

MYLIO S. KRAJA,
Director, National Legislative Commission.

STATEMENT OF JOHN F. SOMMER, JR., ASSISTANT DIRECTOR, NATIONAL VETERANS AFFAIRS AND REHABILITATION COMMISSION, THE AMERICAN LEGION

Mr. Chairman and Members of the subcommittee: The American Legion appreciates the opportunity to present its views on H.R. 2391, and to comment on veterans educational benefit programs in general.

H.R. 2391 would amend subchapter IV of 38, United States Code, Chapter 34 by adding a new section 1687.

1687(a) would authorize that any eligible veteran who served on active duty during the Vietnam Era may be provided educational assistance under Chapter 34 for the purpose of pursuing a program of on-job training other than apprenticeship, or a program of education with a vocational objective other than flight training without regard to the 10 year delimiting period set forth in section 1662(a)(1) of the title. Upon completion of such a program, the veteran would be provided with such employment counseling as may be necessary to assist the veteran in obtaining employment consistent with the veteran's abilities, aptitudes, and interests.

Section 1687(b) would afford that the foregoing educational assistance may be provided only if the veteran has been determined by a counselor at a readjustment counseling center established under section 612A of the title, a State employment office, a veteran's assistance office, or a Veterans Administration medical facility as

being in need of such a program or course of education. Any such determination is to be made in accordance with regulations promulgated by the Administrator.

Section 1687(c) would place a 2 year limit on educational assistance under this section, subsequent to either the effective date of October 1, 1981, or the first day of the third calendar month following the date of enactment.

The American Legion is cognizant of the fact that veteran employment programs under the Department of Labor have for various reasons, generally fallen short of their designed goals. The Department of Labor has consistently failed to properly emphasize veterans employment.

The HIRE I and HIRE II programs, although commendable in purpose, were full of unfulfilled promises and were never responsive to the needs of veterans.

Likewise, the CETA program fell far short of being of meaningful assistance in the hiring of veterans. Of the total number of enrollees, only 10 percent have been veterans, and more specifically, only 4 percent have been veterans of the Vietnam era.

The American Legion will not place itself in a position to oppose a program to help unemployed Vietnam veterans, particularly in view of the limited success of the foregoing examples. However, we would recommend that someone in Congress be prepared to answer to those veterans with equally valid claims, who were unable to use their educational benefits within the 10 year delimiting period for reasons beyond their control if Chapter 34 is to be the program under which such benefits are to be provided. For example, a catastrophic illness incurred by the spouse or a child of the veteran results in enormous medical bills which prohibit the veteran from enrolling in an educational institution. Once the illness no longer exists and the financial problems are resolved, the veteran finds that he or she is unable to take advantage of educational benefits under Chapter 34 because of the expiration of the 10 years subsequent to discharge from the Armed Forces.

The American Legion is opposed to a totally open-ended entitlement program under this Chapter, as once the delimiting period is eliminated such a program would no longer be considered a readjustment program, but a gratuitious benefit which would be difficult to justify, especially in the prevailing atmosphere of fiscal austerity.

An alternative would be the development of a separate program containing the benefits included in the instant legislation, aimed at the problems of the relatively small number of Vietnam veterans who are continuing to face unemployment or underemployment as the result of a need for additional vocational education.

Mr. Chairman, The American Legion is also concerned that increases in vocational rehabilitation subsistence allowances, educational and training assistance allowances, and special assistance payable to eligible veterans and persons under Chapters 31, 34, and 35 of title 38, United States Code, have not kept pace with the increases in the Consumer Price Index, and the increasing costs of education over the past several years. We realize that Public Law 96-466 provided a 17 percent increase in the subsistence allowance paid veterans enrolled in a vocational rehabilitation program under Chapter 31, effective October 1, 1980; and that Chapter 34 and Chapter 35 assistance was increased a total of 10 percent in two increments, 5 percent effective October 1, 1980, and the balance effective January 1, 1981. However, prior to the enactment of Public Law 96-466 the benefits provided under these programs had not been increased since October 1, 1977.

The cost-of-living as reflected in the Consumer Price Index, continues to increase at a substantial annual rate thus making it difficult for veterans and other persons receiving benefits under these educational programs to continue or complete their training, without continued increases in these allowances. Therefore, we urge that Congress examine the adequacy of current benefit levels payable under Chapters 31, 34, and 35, in order to ensure that a large number of those persons now engaged in education or training will not have to forego or modify their plans to pursue such programs under the foregoing provisions of title 38, United States Code. Resolution No. 301 (Ohio), approved by the Delegates to our 1980 National Convention sets the policy for the Legion in this area.

Mr. Chairman, The American Legion is quite concerned about the continuing economc and readjustment problems, and the unemployment of Vietnam Era veterans and, as mentioned at the outset, we appreciated this opportunity to present our views to the Subcommittee.

SIXTY-SECOND ANNUAL NATIONAL CONVENTION OF THE AMERICAN LEGION, BOSTON, MASS., AUGUST 19, 20, 21, 1980

Resolution: No. 301 (Ohio).
Committee: Veterans Affairs and Rehabilitation.

Subject: To assure that increases in educational and training assistance allowances under Chapters 31, 34, 35, and 36 of title 38, U.S.C., are consistent with increases in the cost-of-living

Whereas, increases in vocational rehabilitation subsistence allowances, educational and training assistance allowances, and special assistance payable to eligible veterans and persons under Chapters 31, 34, 35, and 36 of title 38, United States Code, have not kept pace with the cost-of-living increases over the past several years; and

Whereas, the Consumer Price Index continues to increase at a substantial annual rate thus making it difficult for veterans and other persons under the educational programs to continue or complete such programs; and

Whereas, without continued increases in these allowances to keep pace with the cost-of-living, it can be expected that a large majority of those persons now engaged in education or training will have to forego or modify their plans to pursue programs of education or training under the foregoing provisions of title 38, United States Code; and

Whereas, The American Legion is very concerned about the continuing economic and readjustment problems, and the unemployment of the Vietnam Era veteran, and realizes that the aim and purposes of educational and training programs is to provide such veterans with the career development needed to enter the employment field; now, therefore, be it

Resolved, by The American Legion in National Convention assembled in Boston, Massachusetts, August 19, 20, 21, 1980, that The American Legion continue to exert every effort possible to assure that those veterans and other persons engaged in education and training programs under Chapters 31, 34, 35, and 36 of title 38, United States Code, shall be provided an adequate and realistic increase in monthly payments to keep pace with cost-of-living increases.

Approved with amendment.